

CITY OF ATCHISON, KANSAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2011

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

CITY OF ATCHISON, KANSAS

For the Fiscal Year Ended
December 31, 2011

Prepared by:
FINANCE DEPARTMENT
City of Atchison, Kansas

CITY OF ATCHISON, KANSAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended December 31, 2011

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Introductory Section

2011



June 6, 2012

The Honorable Mayor, Members of the City Commission, and Citizens of the City of Atchison:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Atchison (the City) for the fiscal year ended December 31, 2011. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations for the various activities of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The CAFR is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the Independent Auditor's Report.

State law requires that every general-purpose local government publish a complete set of audited financial statements after the close of the fiscal year. This report is published to fulfill that requirement for the fiscal year ended December 31, 2011. Berberich Trahan & Co. P.A., has issued an unqualified opinion on the City's financial statements for the year ended December 31, 2011.

Profile of the Government

The City is the primary unit of government and was incorporated in 1858. It is located in the northeastern part of the state approximately 35 miles from the Kansas City International Airport. It currently occupies 6.9 square miles and serves a population of 11,021. The City is empowered to levy a property tax on both real and personal property within its boundaries and to extend the city limits by annexation, which it has done from time to time.

The City operates under the commission-manager form of government. Policymaking and legislative authority are vested in a governing commission consisting of the mayor and four other members, all elected on a non-partisan basis. The Commission appoints the city manager, who in turn appoints the heads of the various departments. Three of the commissioners are elected every two years. The two with the largest number of votes serve four-year terms, and the third serves a two-year term. The mayor is elected by the Commission and serves a one-year term.

The City provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; and recreational and cultural activities. Sanitation, water and wastewater services are also provided and are included as an integral part of the City's financial statements.

The City is also financially accountable for a legally separate library which is reported on separately within the City's financial statements. Additional information on this entity can be found in Note 1 of the financial statements.

Local economy

In its early history, Atchison was an important supply center for settling the West, and continues to enjoy a strong commercial base today. Major industries located within the City's boundaries, or in close proximity, include manufacturers of food and mill ingredients, distillery products, steel pipelines, concrete poles, steel castings, dust and wet mops, electrical wiring harnesses and rail anchors.

Other economic presences include the headquarters of a publicly traded company, a full-service hospital, a four-year accredited college, a vocational school, national suppliers of leather and textile products, wholesale hardware and more.

The economic downturn has had a negative impact on Atchison's unemployment rate. At the end of December the unemployment rate was 8.3% compared to 8.9% at the end of 2010. Prior to 2009 the County unemployment rate had remained fairly stable, ranging from 4.4% (2008) to 5.9% (2004).

Specialty retail shops and the tourism industry have contributed to the local economy in the past ten years. While sales tax receipts rebounded in 2011 increasing 3% over 2010 we are still not at pre-recession levels. The City's one-cent sales tax, along with its share of the County's one-cent sales tax, have risen 42 percent from \$1,772,538 in 2000 to \$2,525,063 in 2011. In 2004, the City began reserving a portion of its share of the County one-cent sales taxes to fund future improvements to the wastewater system. The accumulated balance at the end of 2011 is \$1,328,969.

Relevant financial policies

Budgeting -The Commission is required by Statute to adopt a final budget by August 25th of each year. The annual budget is the foundation for the City's financial planning and control. The budget is prepared by fund, and by department (e.g., police). The City's budget is prepared on a modified accrual basis further modified by an encumbrance system of accounting as required by applicable state statutes. The city manager presents recommendations for the budget to the Mayor and Commission members for their review. A series of public meetings are held by commissioners to review alternative spending proposals. After soliciting public input, the Commission adopts the budget. The budget is controlled through an accounting system to ensure effective fiscal management and accountability.

Capital Spending - The City prepares a five-year spending plan for replacing its equipment. The City also maintains a five-year capital improvement plan (CIP) for maintaining and making betterments to infrastructure. Both plans are updated annually and approved by the governing body. Equipment replacements are funded by transfers from other funds, primarily the general fund, in addition to long-term leases for major equipment purchases. Capital improvements are funded through transfers from other funds, intergovernmental grants and revenues and general obligation bonds. The funding of equipment replacement and infrastructure maintenance can be designed to provide a stable and sustainable program that minimizes future cost, or the funding of these capital expenses can be deferred in the short term in order to minimize current expenses. The City's spending decisions have been leaning toward the latter option.

Debt Service - The City's debt service is funded by property taxes and includes a 12-mill levy limit established by Ordinance. Debt management policies established by the Commission include a general obligation bond per capita limit of \$500, an overall debt limit of 10 percent of assessed value, and a debt-service limit of 10 percent of governmental fund expenses. The Commission reviews debt policy limits annually during the budget process.

Internal Controls - Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Investing - The City determines idle cash available for investing for selected time frames, and solicits bids from local banks for certificates of deposit. Local banks are required to match the rate established by the State Municipal Investment Pool, or the money is invested in the state pool. At this time the city does not have any idle cash invested.

Risk Management - The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. All potential claims, and/or liabilities are reported immediately when it becomes evident that a loss has occurred or a claim may be made.

The City has addressed the potential risk by purchasing various commercial insurance policies for certain insurable causes of loss. These policies cover liability, employee dishonesty, public official's liability, property damage to buildings, contents and other personal property. Losses due to earthquakes and terrorism have been excluded. The City established an insurance reserve fund in order to fund the deductible portion of losses. The balance at the end of 2011 was \$36,556.

Spending Limits - The state limits annual spending in each fund to the amount budgeted. Prior to spending an amount in excess of the budgeted amount, the City must hold a public hearing with notice published a minimum of 10 days in advance.

Major initiatives

The critical but aging Amelia Earhart Bridge over the Missouri River will be replaced with construction that began in 2009 and is on track for completion in 2012. The Kansas Department of Transportation owns and maintains the bridge. The states of Kansas and Missouri are providing funding estimated in excess of \$60,000,000. The city is participating through \$100,000 in bridge light upgrades, payable over five years.

At the end of 2010 the city began a project to replace the North Headworks and force main. This project addresses problems with the city's wastewater conveyance system. Additionally, the city is close to reaching an agreement on a consent order with the Kansas Department of Health and Environment and Environmental Protection Agency to address run-off sewer discharge, a byproduct of the city's combined storm/sewer system. We believe this agreement will provide a reasonable plan of action that promotes environmental health without unduly burdening the taxpayers of Atchison.

At the end of 2011 the city had entered into a design build contract with Shafer, Kline and Warren and their partner Walters Morgan Construction to construct a wastewater disinfection system using ultraviolet light. This project is expected to be completed in 2012. The City has also begun the preliminary work for adding an additional 2 million gallons of water storage and installing an ozone disinfection byproducts system to the Water Treatment Plant.

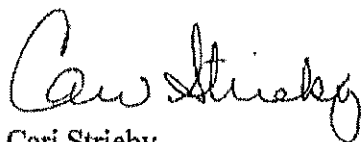
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2010. This was the fifteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

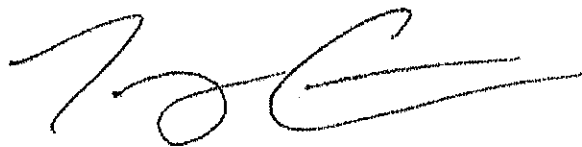
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Commission for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Cari Strieby
Cari Strieby
Interim Finance Director



Trey Cocking
City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Atchison
Kansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



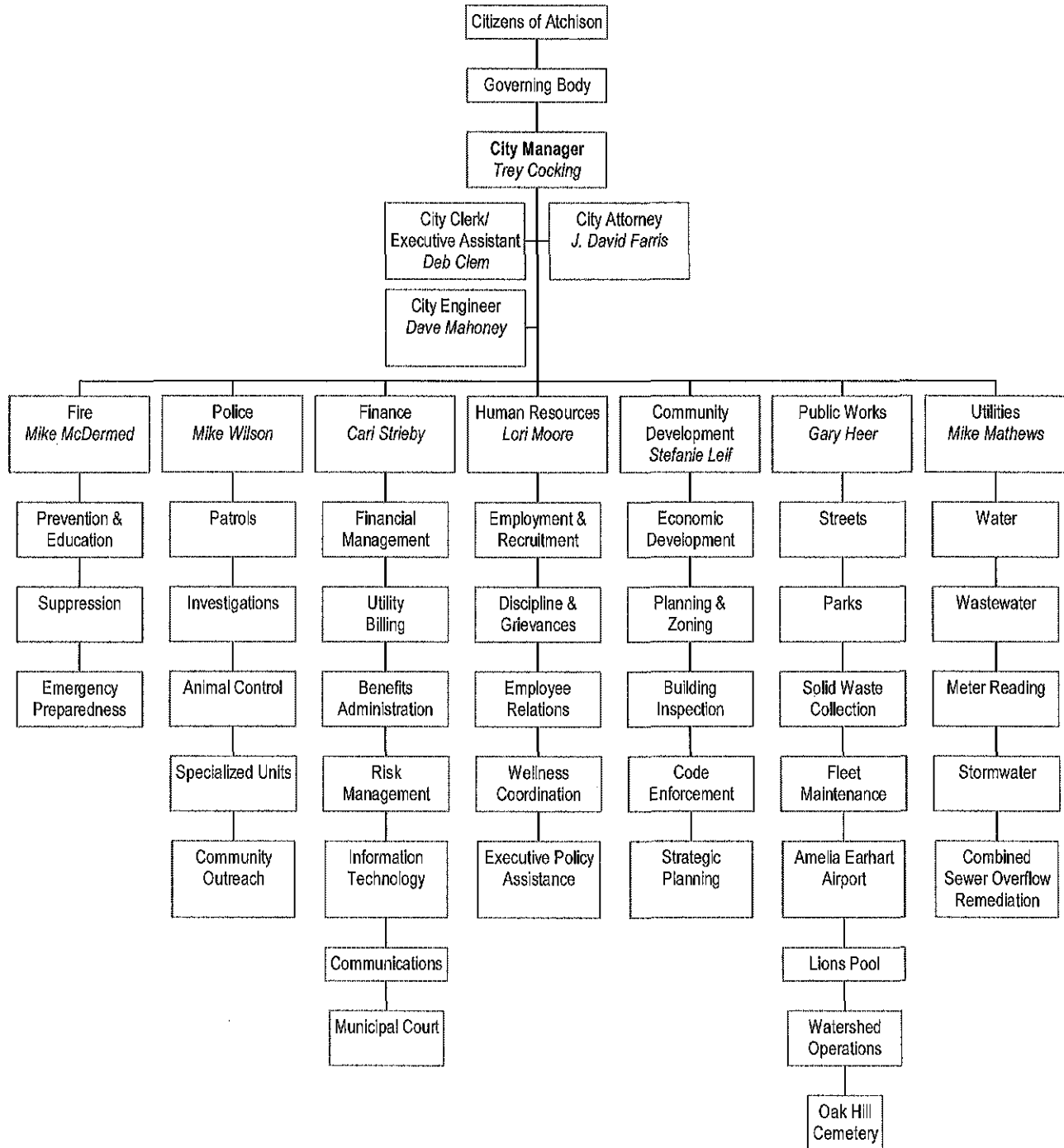
Linda C. Sandison

President

Jeffrey R. Emer

Executive Director

ORGANIZATION CHART
CITY OF ATCHISON, KANSAS
DECEMBER 31, 2011



CITY OF ATCHISON, KANSAS

List of Elected and Appointed Officials

December 31, 2011

ELECTED OFFICIALS

Allen Reavis
Mayor
Term Expires April 2013

David W. Butler
Vice-Mayor
Term Expires April 2015

Larry Purcell
Commissioner
Term Expires April 2013

Jack Bower
Commissioner
Term Expires April 2015

Rita Hartman
Commissioner
Term Expires April 2013

APPOINTED OFFICIALS

Trey Cocking
City Manager

Cari Strieby
Interim Director of Finance

Michael A. Wilson
Chief/Director of Police Services

Michael E. McDermid
Chief/Director of Fire Services

Gary L. Heer
Director of Public Works

Lorelei E. Moore
Director of Human Resources

Michael Mathews
Director of Utilities

Debra Clem
City Clerk

Stefanie Leif
Community Development Director

J. David Farris
City Attorney

Pat Henderson
Municipal Judge

Financial Section

2011



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Commission
City of Atchison, Kansas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Atchison, Kansas (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and applicable provisions of the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Atchison, Kansas, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, on January 1, 2011, the City changed its method of accounting to adopt Government Auditing Standards Board Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 6, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 10 through 19, the Schedule of Funding Progress on page 63 and the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual for the General Fund on pages 64 to 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedules listed under other supplementary information in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Berberich Trahan & Co., P.A.

June 6, 2012

Management's Discussion and Analysis

This section of the report contains an overview and an analysis of the City of Atchison's financial statements for the fiscal year ended December 31, 2011. This information and the information contained in the transmittal letter are intended to provide the reader of the financial statements with a well-rounded picture of the City's financial condition.

Financial Highlights

- The City's total assets exceeded its total liabilities by \$30,081,536.
- The net assets of the City's governmental activities increased by \$1,013,581 (or 7.0%) while net assets of business activities increased by \$1,891,131 (or 14.0%).
- At the end of 2011 the unassigned fund balance for the general fund was \$1,571,238, 25% of general fund expenditures and a \$142,577 increase over the total 2010 fund balance.

Overview of the Financial Statements

The City's basic financial statements include the government-wide financial statements and the fund financial statements. The notes to the financial statements follow the basic financial statements and are essential for understanding the financial statements. The report also contains additional supplementary information to assist the reader.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Atchison's finances, in a manner similar to private-sector businesses.

The Statement of Net Assets presents information for the assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may serve as a useful indicator over time of whether the financial position of the City of Atchison is improving or deteriorating.

The Statement of Activities shows the revenues and expenses related to specific programs, and how the government's net assets changed during the fiscal year. This statement is presented on the accrual basis so that transactions are reflected as they occur, and not as cash is impacted.

Both statements distinguish functions of the City that are supported by taxes and intergovernmental revenues from functions that recover their costs through user fees and charges. The governmental activities include general government, public safety, public works, and parks and recreation. The business-type activities include the water and wastewater utilities and refuse operations. Business activities are operations that are intended to recover most, if not all, of their costs through user fees and charges.

The government-wide financial statements include a city library as a discretely presented component unit. See note 1 to the financial statements for a more complete description of the relationship between this entity and the City.

Fund Financial Statements

A fund is a fiscal entity with accounts for recording balances of resources, liabilities, equity, revenues and expenses. Funds are segregated for specific activities or objectives, in accordance with regulations, restrictions or limitations. City funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental fund financial statements are prepared on the modified accrual basis. Under this approach, revenues are recognized when measurable and available, and expenditures are recognized when the related fund liabilities are incurred with the exception of capital outlays and long-term debt and other similar items that are recorded when due. Governmental funds are used to account for essentially the same functions included in the government-wide financial statements, but the focus is on the short term financial condition rather than the City as a whole. The reconciliation at the end of the fund financial statements explains the relationship between governmental fund financial statements and government-wide financial statements.

The City maintains one type of proprietary fund, enterprise funds. The City uses enterprise funds to account for both its water and wastewater utilities and refuse operations. These funds are prepared on the accrual basis of accounting and present the same information included in the government-wide financial statements in greater detail.

Fiduciary funds are used by the City to account for resources held for the benefit of third parties. Because the resources of these funds are not available for the City's operations, they are not presented in the government-wide financial statements. The Fiduciary funds include the Fire Insurance Proceeds, Amelia Earhart Festival, Santa Fe Depot Enhancement, Veterans Memorial Park, Jackson Park Revitalization, International Forest of Friendship and the White Clay Watershed District funds. A combining statement can be found in the supplementary information following the notes to the financial statements.

Notes to the Financial Statements

The notes are an integral part of the financial statements and provide essential information for a full understanding of the data provided in those statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information concerning the City's progress in funding its obligation to provide post employment benefits to its employees and the city's general fund budgeted and actual expenditures. The combining statements for the combined general fund and non-major funds are included after the required supplementary information. The Statistical section of the report includes historical financial information and other data about the City.

Analysis of the Government-wide Statements

Net Assets

Net assets may serve as a useful indicator of the City's financial condition. The City's government-wide net assets increased by \$2,904,712 or 10.7 percent for the fiscal year ended December 31, 2011. The largest portion of the City's net assets (74 percent) is in capital assets (land, buildings, infrastructure, vehicles and machinery and equipment); less any debt related to those assets still outstanding.

Combined Net Assets of the City at December 31 were:

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 6,664,933	\$ 5,474,880	\$ 5,474,755	\$ 4,978,463	\$ 12,139,688	\$ 10,453,343
Capital assets	16,163,161	14,950,591	22,116,365	19,863,404	38,279,526	34,813,995
Total assets	22,828,094	20,425,471	27,591,120	24,841,867	50,419,214	45,267,338
Long-term liabilities	4,694,564	3,373,749	12,216,696	11,078,609	16,911,260	14,452,358
Other liabilities	3,114,300	3,046,073	312,118	592,083	3,426,418	3,638,156
Total liabilities	7,808,864	6,419,822	12,528,814	11,670,692	20,337,678	18,090,514
Net assets:						
Invested in capital assets, net of related debt	12,272,996	12,347,223	10,017,324	8,908,653	22,290,320	21,255,876
Restricted	1,161,035	1,330,900	-	-	1,161,035	1,330,900
Unrestricted	1,585,199	327,526	5,044,982	4,262,522	6,630,181	4,590,048
Total net assets	\$ 15,019,230	\$ 14,005,649	\$ 15,062,306	\$ 13,171,175	\$ 30,081,536	\$ 27,176,824

Governmental Activities

The City's governmental activities ended 2011 with positive net assets. Cash balances increased by \$1,122,526 or 58%, compared to a 137% increase from 2009 to 2010. The increased cash balances are due to decisions made by the governing body during the budget process to have healthier fund balances and cash reserves on hand. Capital assets increased by \$1,212,570 or 8%, mainly due to street improvements and the purchase of a new fire truck.

Total liabilities increased by \$1,389,042 or 22 percent. Long-term debt increased due to the issuance of \$1,830,000 in general obligation debt in 2011. The debt was issued to finance street improvements and a new fire truck. Other liabilities increased slightly.

Business-type activities

The City's business-type activities ended 2011 with positive total net assets.

- The total cash position increased by \$2,645,054 or 160 percent. This is due to rate increases implemented during 2010 and 2011. The rate increases were required in order to fund needed improvements to the water and especially the wastewater systems. Most of the required projects are in the design phase, as we move forward with construction the cash balances will begin to decrease.
- Several capital projects (water mains, the high service pump station and north head works and force main) were completed in 2011 resulting in a decrease of \$4,343,869 to construction in progress.
- Total Liabilities – Liabilities increased by \$858,122 mainly due to loans related to the completed capital projects mentioned above.

Statement of Activities

Changes in net assets of the City for the years ended December 31 were:

<u>Changes in Net Assets</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 876,159	\$ 728,608	\$ 5,659,636	\$ 5,658,267	\$ 6,535,795	\$ 6,386,875
Operating grants and contributions	407,400	406,070	-	-	407,400	406,070
Capital grants and contributions	515,552	268,115	22,788	39,071	538,340	307,186
General revenues:						
Property taxes	3,231,311	3,406,690	-	-	3,231,311	3,406,690
Other taxes	2,915,244	2,529,491	974,892	937,296	3,890,136	3,466,787
Unrestricted investment earnings	24,660	16,246	14,945	16,265	39,605	32,511
Other	-	3,169	-	-	-	3,169
Total revenues	<u>7,970,326</u>	<u>7,358,389</u>	<u>6,672,261</u>	<u>6,650,899</u>	<u>14,642,587</u>	<u>14,009,288</u>
Expenses:						
General government	2,478,684	2,357,540	-	-	2,478,684	2,357,540
Public safety	2,923,106	2,880,226	-	-	2,923,106	2,880,226
Public works	1,718,105	1,469,786	-	-	1,718,105	1,469,786
Parks and recreation	297,417	492,756	-	-	297,417	492,756
Economic development	-	75,000	-	-	-	75,000
Interest on long-term debt	124,977	111,877	-	-	124,977	111,877
Water	-	-	2,294,146	2,407,449	2,294,146	2,407,449
Wastewater	-	-	1,541,013	1,490,589	1,541,013	1,490,589
Refuse	-	-	360,427	372,578	360,427	372,578
Total expenses	<u>7,542,289</u>	<u>7,387,185</u>	<u>4,195,586</u>	<u>4,270,616</u>	<u>11,737,875</u>	<u>11,657,801</u>
Increase (decrease) in net assets before transfers	428,037	(28,796)	2,476,675	2,380,283	2,904,712	2,351,487
Transfers	585,544	588,920	(585,544)	(588,920)	-	-
Change in net assets	1,013,581	560,124	1,891,131	1,791,363	2,904,712	2,351,487
Net assets, beginning of year	14,005,649	13,445,525	13,171,175	11,379,812	27,176,824	24,825,337
Net assets, ending	<u>\$ 15,019,230</u>	<u>\$ 14,005,649</u>	<u>\$ 15,062,306</u>	<u>\$ 13,171,175</u>	<u>\$ 30,081,536</u>	<u>\$ 27,176,824</u>

Governmental Activities

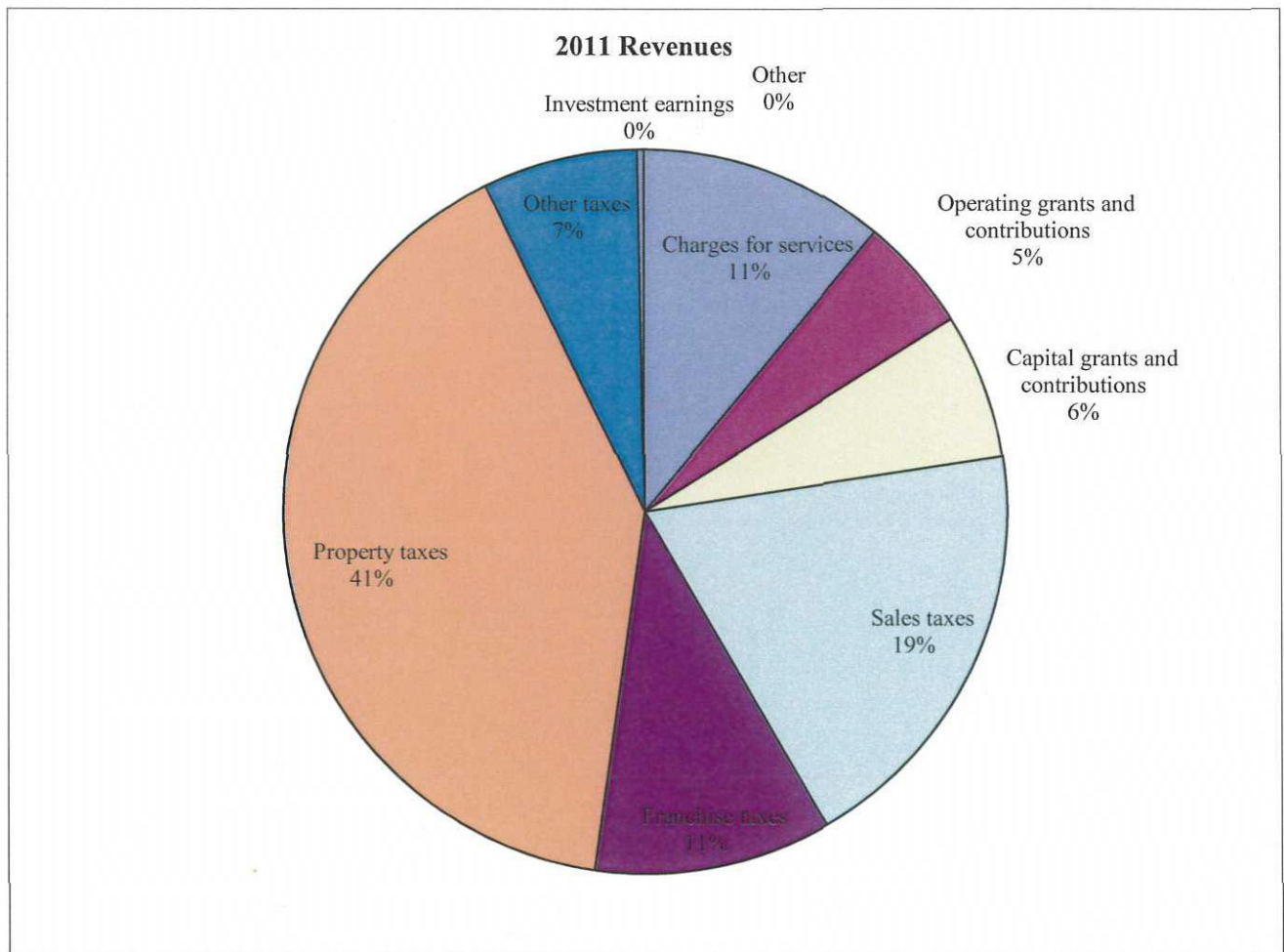
- Revenues from governmental programs increased by \$611,937. Charges for services increased by \$147,551 mainly due to the sale of the Kansas National Guard Armory that was turned over to the City by the State of Kansas. The capital grants and contributions increased by 92% in 2011 due to the receipt of funds from the State Department of Transportation for the mill and overlay of Highway US 73 from the south City limits to 10th and Main Streets. We also received two smaller grants to help pay for improvements to the Amelia Earhart fuel tanks. Franchise tax receipts rose by \$461,592 or 55%. This increase was driven by an increase of the Westar franchise and higher rates charged by the electric utility. Finally, we saw an increase in on investment earnings because of higher cash balances in governmental funds.
- Total expenses increased by a modest 2%. The more sizeable year over year changes seen in public works (17% increase), parks and recreation (40% decrease) and economic development (100% decrease) are due to changes in the structure of those departments.
- The tables below compare the mill levies and the related assessed values for the 2010 and 2011 budget. The change in assessed value is due to the reappraisal of existing real estate.

Mill Levy Rates 2010 and 2009

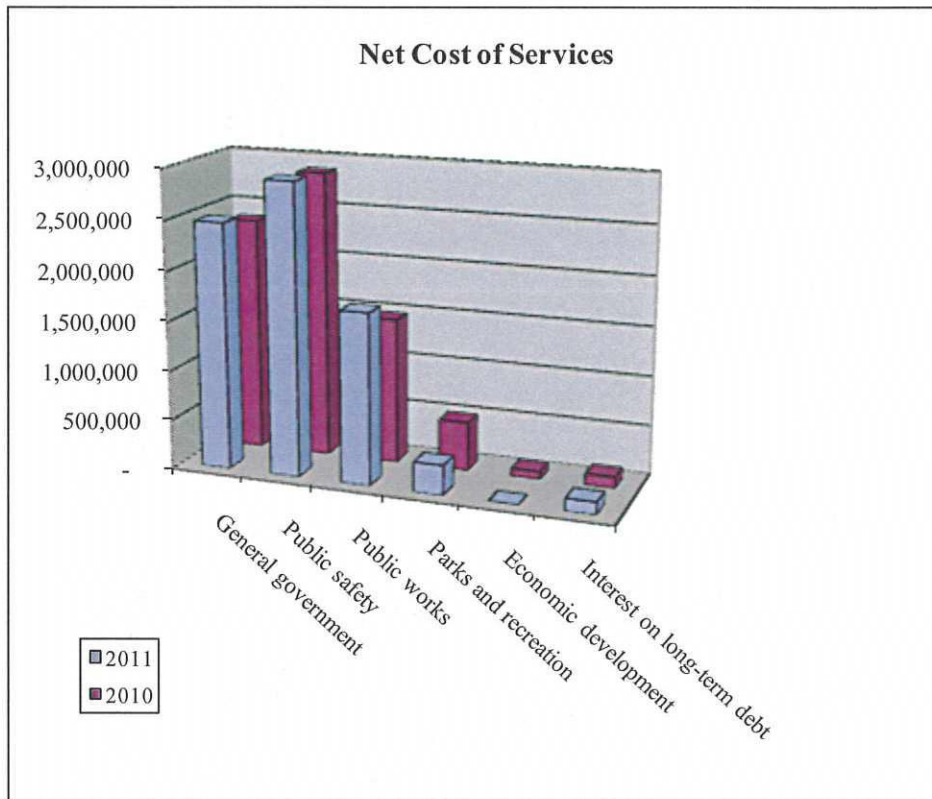
	<u>2010 Levy to support 2011 budget</u>	<u>2009 Levy to support 2010 budget</u>
General fund	37.892	42.100
Debt service	8.255	8.306
Library	6.733	6.775
Watershed	2.797	2.801
	<u>55.677</u>	<u>59.982</u>

Assessed Valuation 2011 and 2010				
	2010 Valuation to support 2011 Budget	2009 Valuation to support 2010 Budget	Increase/ Decrease Over Prior Year	% Change
Real estate	\$ 60,339,718	\$ 58,326,077	\$ 2,013,641	3.45%
Personal	5,518,345	6,209,979	(691,634)	-11.14%
Utilities	4,692,455	4,349,715	342,740	7.88%
Neighborhood revitalization	(7,449,991)	(7,210,601)	(239,390)	3.32%
	<u>\$ 63,100,527</u>	<u>\$ 61,675,170</u>	<u>\$ 1,425,357</u>	<u>2.31%</u>

The following graph illustrates the composition of 2011 primary government revenues.



The following graph compares the net cost of services for governmental activities in 2011 and 2010.



The total cost of services in 2011 was \$7,542,289; however, \$1,283,559 was funded by users directly benefiting from the services or by other organizations through operating grants and contributions. The City's taxpayers, primarily through property taxes, franchise fees and sales taxes, paid the remaining \$6,258,730 of these services.

Business-type Activities

Revenues and expenses changed from the prior year as discussed below.

- Revenues for Business-type Activities were flat for 2010 to 2011. Each fund had revenue increases for 2011. While revenues for Water and Refuse increased by 2.3% and 4.9% respectively, they were offset by a 6% decrease in Wastewater. This decrease is due in large part to decreased usage by one of the City's largest Wastewater users.
- Expenses for Business-type Activities decreased by \$75,030 (or 1.8%). The City was able to obtain favorable interest rates while refinancing long term debt which resulted in the large interest cost savings.

Analysis of the Fund Financial Statements

The City uses fund accounting to enhance and demonstrate fiscal responsibility and compliance with finance related legal requirements.

	Total Fund Balance at December 31		Unrestricted Fund Balance at December 31	
	2011	2010	2011	2010
General	\$ 2,119,491	\$ 1,428,661	\$ 1,571,238	\$ 1,016,875
Capital projects	1,023,558	521,315	198,616	521,315
Water	5,773,380	5,315,022	1,781,163	1,732,745
Wastewater	8,977,981	7,634,680	2,991,456	2,381,288
Total	\$ 17,894,410	\$ 14,899,678	\$ 6,542,473	\$ 5,652,223

Financial Analysis of the Government's Funds

The focus of the City's governmental funds is to provide information about current inflows, outflows and balances of spendable resources. The unassigned fund balance is a helpful measure of the City's resources available for expenditure at the end of the year. Overall, the City's major funds experienced a 20 percent increase in total fund balance as a result of 2011 operations.

The general fund is the main operating fund of the city. At December 31, 2011 the unassigned fund balance for this fund was \$1,571,238. To assess the liquidity of a fund it may be useful to compare the fund balance (total and unassigned) to the fund's total expenditures. For 2011 the unassigned fund balance is 25.6 percent of fund expenditures and the total fund balance is 33.3 percent of the same amount.

The increase in the capital projects fund balance is due to the issuance of \$1,830,000 of general obligation bonds in 2011. The proceeds from this issuance will be expended in the near future.

The unassigned general fund balance increased by 54 percent in 2011. The increase in revenue is attributable to franchise fee increases and collections, and increased charges for nuisance abatements. Additionally the City was able to sell the National Guard Armory that was turned over to us by the State of Kansas.

The increase in the total water and wastewater fund balances is due to rate increases coupled with decreased expenditures. The most significant factor in the lower expenditures was the refinancing of debt which led to much lower interest rates.

General Fund Budgetary Highlights

The following revenue and expenditure categories experienced significant differences between the final budget amount and the actual amount.

- Sales Tax – the budget for sales taxes was conservative because of the improving but still weak economy during the time the budget was created. Collections were stronger during 2011 due to the Missouri River Bridge being closed during the summer and fall.
- Franchise Fees- the Westar franchise fee was increased for 2010 and this combined with a rate increase to bring in much higher revenues than were budgeted for.

- Charges for Services- fuel sales at the airport were higher than budgeted due to fuel prices being higher than budgeted. This is offset by expenditures for fuel purchases that are over budget as well.
- Fines and Fees- revenue generated by nuisance abatements, home demolitions specifically, are the reason this revenue item was over budget. This is offset by higher expenditures also.
- Fire Department- came in over budget on personnel services due to the unexpected retirement of a long time employee resulting in a large payout for unused sick and vacation leave.

Capital Assets and Debt Administration

Capital Assets

The City's total investment in capital assets as of December 31, 2011, was \$38,279,526 (net of accumulated depreciation). This is a 10 percent increase over 2010. A breakdown of assets by category is presented below.

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,884,933	\$ 1,884,933	\$ 101,537	\$ 101,537	\$ 1,986,470	\$ 1,986,470
Construction in progress	846,194	93,315	256,942	4,600,811	1,103,136	4,694,126
Buildings and systems	779,964	815,500	20,946,253	14,568,787	21,726,217	15,384,287
Improvements	5,550,012	5,776,392	-	-	5,550,012	5,776,392
Machinery and equipment	1,016,211	784,173	811,633	592,269	1,827,844	1,376,442
Infrastructure	6,085,847	5,596,278	-	-	6,085,847	5,596,278
	<u>\$ 16,163,161</u>	<u>\$ 14,950,591</u>	<u>\$ 22,116,365</u>	<u>\$ 19,863,404</u>	<u>\$ 38,279,526</u>	<u>\$ 34,813,995</u>

The major additions to capital assets in 2011 were a fire truck, street improvements that added to infrastructure and the completion of the water mains and high service pump station that began construction in 2010.

Additional information about the City's capital assets can be found in Notes 1 and 5 in notes to the financial statements.

Debt Administration

Long-term debt- The outstanding general obligation bonds at December 31, 2011 totaled \$3,852,676 and the outstanding bonds supported by revenues of business activities are \$6,042,324 for a total outstanding bond debt of \$9,895,000. In addition the city has loans with the State Revolving Loan fund in the amount of \$5,974,057. These loans were taken out to finance the water mains, high service pump station, and North Headworks and Force Main projects. In the spring of 2011, Moody's Investor Services gave the City an "A1" credit rating, positively impacting future bond issuances.

The ratio of general obligation bonded debt to assessed valuation and the amount of bonded debt per capita provide useful indicators of the City's debt position to citizens, elected officials, City management and investors. This data for the City at the end of 2011 is presented below.

	<u>Net General Obligation Debt</u>	<u>Ratio of Debt to Assessed Value</u>	<u>Debt Per Capita</u>
2011	\$ 3,852,676	6.11%	\$ 350

State statutes limit net general obligation debt to 30 percent of assessed value. At December 31, 2011 taxable assessed valuation was \$63,100,527 and net bonded debt was \$3,525,787. The City's debt margin totaled \$15,402,371.

Additional information regarding the City's debt can be found in Note 10 in the notes to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the City finances. In compliance with the Kansas Open Records Act, questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, 515 Kansas Avenue, Atchison, Kansas 66002.

**Basic
Financial
Statements**

2011

CITY OF ATCHISON, KANSAS

STATEMENT OF NET ASSETS

December 31, 2011

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Public Library
Assets:				
Cash and cash equivalents	\$ 3,075,255	\$ 2,963,534	\$ 6,038,789	\$ 523,484
Restricted cash	-	1,328,969	1,328,969	-
Investments	-	-	-	43,301
Receivables, net of allowance for uncollectibles:				
Taxes	3,225,314	169,409	3,394,723	401,163
Special assessments	31,245	-	31,245	-
Intergovernmental	63,520	300,346	363,866	-
Accounts	110,876	638,242	749,118	-
Deferred charges	30,840	74,255	105,095	-
Due from others	35,207	-	35,207	-
Due from watershed	92,676	-	92,676	-
Capital assets, net of accumulated depreciation:				
Land	1,884,933	101,537	1,986,470	8,995
Construction in progress	846,194	256,942	1,103,136	-
Books	-	-	-	41,816
Buildings and systems	779,964	20,946,253	21,726,217	391,544
Improvements	5,550,012	-	5,550,012	-
Machinery and equipment	1,016,211	811,633	1,827,844	17,503
Infrastructure	6,085,847	-	6,085,847	-
Total assets	<u>22,828,094</u>	<u>27,591,120</u>	<u>50,419,214</u>	<u>1,427,806</u>
Liabilities:				
Accounts payable	170,266	169,823	340,089	5,943
Accrued liabilities	84,319	21,016	105,335	7,521
Accrued interest payable	57,491	121,279	178,770	-
Unearned revenue	2,802,224	-	2,802,224	401,163
Noncurrent liabilities:				
Due within one year	751,750	693,800	1,445,550	4,724
Due in more than one year	3,942,814	11,522,896	15,465,710	3,562
Total liabilities	<u>7,808,864</u>	<u>12,528,814</u>	<u>20,337,678</u>	<u>422,913</u>
Net assets:				
Invested in capital assets, net of related debt	12,272,996	10,017,324	22,290,320	459,858
Restricted for:				
Debt service	275,906	-	275,906	-
Other purposes	60,187	-	60,187	12,836
Capital projects	824,942	-	824,942	62,090
Unrestricted	1,585,199	5,044,982	6,630,181	470,109
Total net assets	<u>\$ 15,019,230</u>	<u>\$ 15,062,306</u>	<u>\$ 30,081,536</u>	<u>\$ 1,004,893</u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

					Net (Expense) Revenue and Changes in Net Assets			
Functions/Programs	Expenses	Program Revenues			Primary Government			Component
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Unit
								Public Library
Primary government:								
Governmental activities:								
General government	\$ 2,478,684	\$ 499,457	\$ 89,808	\$ 40,016	\$ (1,849,403)	\$ -	\$ (1,849,403)	\$ -
Public safety	2,923,106	79,955	6,492	-	(2,836,659)	-	(2,836,659)	-
Public works	1,718,105	296,747	279,934	475,536	(665,888)	-	(665,888)	-
Parks and recreation	297,417	-	31,166	-	(266,251)	-	(266,251)	-
Interest on long-term debt	124,977	-	-	-	(124,977)	-	(124,977)	-
Total governmental activities	7,542,289	876,159	407,400	515,552	(5,743,178)	-	(5,743,178)	-
Business-type activities:								
Water	2,294,146	3,703,515	-	-	-	1,409,369	1,409,369	-
Wastewater	1,541,013	1,472,145	-	22,788	-	(46,080)	(46,080)	-
Refuse	360,427	483,976	-	-	-	123,549	123,549	-
Total business-type activities	4,195,586	5,659,636	-	22,788	-	1,486,838	1,486,838	-
Total primary government	\$ 11,737,875	\$ 6,535,795	\$ 407,400	\$ 538,340	(5,743,178)	1,486,838	(4,256,340)	-
Component units:								
Public Library	\$ 490,316	\$ 15,115	\$ 51,779	\$ -	-	-	-	(423,422)
General revenues:								
Property taxes					3,231,311	-	3,231,311	466,869
Sales taxes					1,587,341	974,892	2,562,233	-
Franchise taxes					1,304,264	-	1,304,264	-
Payment in lieu of taxes					23,639	-	23,639	-
Unrestricted investment earnings					24,660	14,945	39,605	2,896
Transfers					585,544	(585,544)	-	-
Total general revenues and transfers					6,756,759	404,293	7,161,052	469,765
Change in net assets					1,013,581	1,891,131	2,904,712	46,343
Net assets, beginning of year					14,005,649	13,171,175	27,176,824	958,550
Net assets, end of year					\$ 15,019,230	\$ 15,062,306	\$ 30,081,536	\$ 1,004,893

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2011

	General*	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 1,794,116	\$ 873,234	\$ 407,905	\$ 3,075,255
Receivables (net of allowance for uncollectibles):				
Taxes	2,751,265	-	474,049	3,225,314
Intergovernmental	-	60,816	2,704	63,520
Special assessments	-	-	31,245	31,245
Accounts	110,876	-	-	110,876
Due from watershed	-	92,676	-	92,676
Due from others	35,207	-	-	35,207
Total assets	\$ 4,691,464	\$ 1,026,726	\$ 915,903	\$ 6,634,093
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 159,479	\$ 3,168	\$ 7,619	\$ 170,266
Accrued payroll	84,319	-	-	84,319
Deferred revenue	2,328,175	-	505,294	2,833,469
Total liabilities	2,571,973	3,168	512,913	3,088,054
Fund balances:				
Restricted:				
General government	-	-	7,477	7,477
Public works	-	824,942	38,190	863,132
Public safety	-	-	1,967	1,967
Parks and recreation	-	-	12,553	12,553
Debt service	-	-	302,152	302,152
Assigned	548,253	198,616	40,651	787,520
Unassigned	1,571,238	-	-	1,571,238
Total fund balances	2,119,491	1,023,558	402,990	3,546,039
Total liabilities and fund balances	\$ 4,691,464	\$ 1,026,726	\$ 915,903	\$ 6,634,093

* See the General Fund Combining Balance Sheet on page 71

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS

December 31, 2011

Total fund balance in governmental fund balance sheet	\$ 3,546,039
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	16,163,161
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	31,245
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,721,215)</u>
Net assets of governmental activities	<u>\$ 15,019,230</u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended December 31, 2011

	General*	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property	\$ 2,658,397	\$ -	\$ 572,914	\$ 3,231,311
Sales	1,587,341	-	-	1,587,341
Franchise	1,304,264	-	-	1,304,264
Payments in lieu of taxes	23,639	-	-	23,639
Intergovernmental	93,819	415,540	375,567	884,926
Licenses and permits	103,960	-	-	103,960
Charges for services	191,121	-	-	191,121
Fines and fees	329,666	-	-	329,666
Special assessments	-	-	30,296	30,296
Interest on investments	12,474	7,213	4,973	24,660
Other	65,224	31,815	24,533	121,572
Total revenues	<u>6,369,905</u>	<u>454,568</u>	<u>1,008,283</u>	<u>7,832,756</u>
Expenditures:				
Current:				
General government	1,564,977	-	358,151	1,923,128
Public works	1,450,485	-	-	1,450,485
Public safety	2,889,098	-	12,602	2,901,700
Parks and recreation	246,722	-	10,200	256,922
Debt service:				
Principal	21,532	17,643	505,000	544,175
Interest and fiscal charges	6,832	-	90,548	97,380
Debt issuance costs	-	31,756	-	31,756
Capital outlay	176,530	1,944,740	-	2,121,270
Total expenditures	<u>6,356,176</u>	<u>1,994,139</u>	<u>976,501</u>	<u>9,326,816</u>
Excess/(deficiency) of revenues over (under) expenditures	<u>13,729</u>	<u>(1,539,571)</u>	<u>31,782</u>	<u>(1,494,060)</u>
Other financing sources (uses):				
Sale of capital assets	177,015	-	-	177,015
General obligation bonds issued	-	1,830,000	-	1,830,000
Transfers in	656,468	276,382	64,568	997,418
Transfers out	(156,382)	(64,568)	(143,000)	(363,950)
Total other financing sources (uses)	<u>677,101</u>	<u>2,041,814</u>	<u>(78,432)</u>	<u>2,640,483</u>
Net change in fund balances	<u>690,830</u>	<u>502,243</u>	<u>(46,650)</u>	<u>1,146,423</u>
Fund balances, beginning of year as previously stated	1,057,771	521,315	820,530	2,399,616
Change in accounting principle	370,890	-	(370,890)	-
Fund balances, beginning of year as restated	1,428,661	521,315	449,640	2,399,616
Fund balances, end of year	<u>\$ 2,119,491</u>	<u>\$ 1,023,558</u>	<u>\$ 402,990</u>	<u>\$ 3,546,039</u>

*See the General Fund Combining Statement of Revenues, Expenditures and Changes in Fund Balances on page 72

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balances - total governmental funds	\$ 1,146,423
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	1,233,116
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, donations) is to decrease net assets.	(20,546)
Revenues recorded in the statement of activities that do not provide current financial resources are not recorded in the governmental funds.	(28,755)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,345,448)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>28,791</u>
Change in net assets of governmental activities	<u>\$ 1,013,581</u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

December 31, 2011

	Water	Wastewater	Nonmajor Fund Refuse	Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 1,326,989	\$ 1,398,486	\$ 238,059	\$ 2,963,534
Restricted cash	-	1,328,969	-	1,328,969
Receivables (net of allowance for uncollectibles):				
Accounts	391,143	182,306	64,793	638,242
Intergovernmental	300,346	-	-	300,346
Taxes	-	169,409	-	169,409
Total current assets	<u>2,018,478</u>	<u>3,079,170</u>	<u>302,852</u>	<u>5,400,500</u>
Noncurrent assets:				
Deferred charges	74,255	-	-	74,255
Capital assets:				
Land	84,396	17,141	-	101,537
Buildings and systems	21,118,932	15,617,249	-	36,736,181
Machinery and equipment	913,708	893,029	322,215	2,128,952
Construction in progress	26,041	230,901	-	256,942
Less accumulated depreciation	<u>(8,326,819)</u>	<u>(8,496,795)</u>	<u>(283,633)</u>	<u>(17,107,247)</u>
Total noncurrent assets	<u>13,890,513</u>	<u>8,261,525</u>	<u>38,582</u>	<u>22,190,620</u>
Total assets	<u>15,908,991</u>	<u>11,340,695</u>	<u>341,434</u>	<u>27,591,120</u>
Liabilities:				
Current liabilities:				
Accounts payable	137,696	22,998	9,129	169,823
Accrued payroll	13,157	3,793	4,066	21,016
Accrued interest payable	96,692	24,587	-	121,279
Accrued compensated absences - current	31,165	11,590	5,081	47,836
Leases payable - current	38,772	-	-	38,772
General obligation bonds - current	607,192	-	-	607,192
Total current liabilities	<u>924,674</u>	<u>62,968</u>	<u>18,276</u>	<u>1,005,918</u>
Noncurrent liabilities:				
Accrued compensated absences	32,860	24,746	12,213	69,819
Loans payable	3,699,057	2,275,000	-	5,974,057
Leases payable	167,228	-	-	167,228
General obligation bonds payable, net	5,311,792	-	-	5,311,792
Total noncurrent liabilities	<u>9,210,937</u>	<u>2,299,746</u>	<u>12,213</u>	<u>11,522,896</u>
Total liabilities	<u>10,135,611</u>	<u>2,362,714</u>	<u>30,489</u>	<u>12,528,814</u>
Net assets:				
Invested in capital assets, net of related debt	3,992,217	5,986,525	38,582	10,017,324
Unrestricted	1,781,163	2,991,456	272,363	5,044,982
Total net assets	<u>\$ 5,773,380</u>	<u>\$ 8,977,981</u>	<u>\$ 310,945</u>	<u>\$ 15,062,306</u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

Year Ended December 31, 2011

	Water	Wastewater	Nonmajor Fund Refuse	Total
Operating revenues:				
Charges for sales and services	\$ 3,703,515	\$ 1,472,145	\$ 483,976	\$ 5,659,636
Operating expenses:				
Personnel services	668,512	300,933	273,114	1,242,559
Contractual services	310,355	693,026	19,097	1,022,478
Supplies	383,773	26,134	28,716	438,623
Utilities	276,197	119,680	5,098	400,975
Depreciation and amortization	477,931	322,826	34,402	835,159
Total operating expenses	2,116,768	1,462,599	360,427	3,939,794
Operating income	1,586,747	9,546	123,549	1,719,842
Nonoperating revenues (expenses):				
Sales tax	-	974,892	-	974,892
Capital grants	-	22,788	-	22,788
Loss on sale of capital assets	-	(36,667)	-	(36,667)
Interest revenue	2,248	11,774	923	14,945
Interest expense	(177,378)	(41,747)	-	(219,125)
Total nonoperating revenues (expenses)	(175,130)	931,040	923	756,833
Income before transfers and capital contributions	1,411,617	940,586	124,472	2,476,675
Capital contributions	4,715	43,209	-	47,924
Transfers in	190,856	812,455	-	1,003,311
Transfers out	(1,148,830)	(452,949)	(35,000)	(1,636,779)
Change in net assets	458,358	1,343,301	89,472	1,891,131
Total net assets, beginning of year	5,315,022	7,634,680	221,473	13,171,175
Total net assets, end of year	\$ 5,773,380	\$ 8,977,981	\$ 310,945	\$ 15,062,306

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended December 31, 2011

	Water	Wastewater	Nonmajor Fund Refuse	Total
Cash flows from operating activities:				
Receipts from customers	\$ 3,752,537	\$ 1,470,788	\$ 478,054	\$ 5,701,379
Payments to suppliers	(925,223)	(1,136,747)	(51,636)	(2,113,606)
Payments to employees	(671,280)	(299,927)	(272,940)	(1,244,147)
Net cash provided by operating activities	2,156,034	34,114	153,478	2,343,626
Cash flows from noncapital financing activities:				
Transfers in from other funds	190,856	812,455	-	1,003,311
Transfers to other funds	(1,148,830)	(452,949)	(35,000)	(1,636,779)
Net cash provided by (used in) noncapital financing activities	(957,974)	359,506	(35,000)	(633,468)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(791,552)	(2,049,672)	-	(2,841,224)
Principal paid on general obligation debt	(587,357)	-	-	(587,357)
Proceeds from capital debt	1,394,061	2,275,000	-	3,669,061
Principal paid on capital debt	(52,262)	-	-	(52,262)
Receipt of sales tax	-	961,120	-	961,120
Proceeds from capital grants	-	22,788	-	22,788
Interest paid on general obligation debt	(235,015)	(17,160)	-	(252,175)
Net cash provided by (used in) capital and related financing activities	(272,125)	1,192,076	-	919,951
Cash flows from investing activities:				
Interest received	2,248	11,774	923	14,945
Net increase in cash and cash equivalents	928,183	1,597,470	119,401	2,645,054
Cash and cash equivalents and restricted cash, beginning of year	398,806	1,129,985	118,658	1,647,449
Cash and cash equivalents and restricted cash, end of year	\$ 1,326,989	\$ 2,727,455	\$ 238,059	\$ 4,292,503

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 (Continued)

Year Ended December 31, 2011

	Water	Wastewater	Nonmajor Fund Refuse	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 1,586,747	\$ 9,546	\$ 123,549	\$ 1,719,842
Adjustments to reconcile operating income to net cash provided by operating activities:				
Items not requiring cash:				
Depreciation and amortization expense	477,931	322,826	34,402	835,159
Changes in:				
Accounts receivable	49,022	(1,357)	(5,922)	41,743
Accounts payable	45,102	(297,907)	1,275	(251,530)
Accrued compensated absences	(5,336)	(21)	(846)	(6,203)
Accrued payroll	2,568	1,027	1,020	4,615
Net cash provided by operating activities	<u>\$ 2,156,034</u>	<u>\$ 34,114</u>	<u>\$ 153,478</u>	<u>\$ 2,343,626</u>

Noncash capital financing activities:

Contributions of capital assets of \$ 4,715 and \$ 43,209 were acquired in the water fund and wastewater fund, respectively,
 from other governmental funds.

Capital assets of \$ 206,000 were acquired in the water fund by capital lease.

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

December 31, 2011

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	<u>\$ 160,933</u>
Liabilities:	
Due to others	<u>\$ 160,933</u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Atchison, Kansas (the City) was incorporated in 1858. The City operates under a City Commission - Manager form of government. The accompanying basic financial statements present the City (the primary government) and its component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for the description) to emphasize that it is legally separate from the City.

Discretely Presented Component Unit. The Public Library (the Library) is operated by a Library Board which is appointed by the City Commission. The City levies and collects a special library tax to subsidize the Library's operations. The Library's operating budget is limited to seven mills by charter ordinance of the City Commission. The City must approve acquisition or disposition of real property by the Library, but the Library owns the capital assets. Bond issuances must also be approved by the City. The Library is presented as a governmental fund type. Separately issued financial statements for the Library are not available.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1 - Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The agency funds do not have a measurement focus and use the accrual basis of accounting to report their financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are generally considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. A 90-day availability period is used for revenue recognition for all governmental funds revenues except property taxes. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Property taxes, sales taxes, franchise taxes, interest associated with the current fiscal period, and certain state and federal grants and entitlements are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City. While property taxes receivable are shown on the balance sheet as current assets of the City, they are not recognized as revenue at year end because statutory provisions prohibit their use until the year for which they were raised and budgeted. Instead, they are offset by deferred revenue accounts.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This fund accounts for the general operating transactions of the City including public safety, public works, parks, recreation, and administration.

The capital projects fund is a fund used by the City for the acquisition and construction of major facilities other than those financed by the enterprise funds.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major proprietary funds:

The water fund accounts for the operation and maintenance activities of the City's water distribution system.

The wastewater fund accounts for the operation and maintenance activities of the City's wastewater collection and treatment system.

Additionally, the City reports the following fund type:

Agency funds are used to report resources held by the City in a custodial capacity for remittance to private organizations. These funds are held on behalf of Fire Insurance Proceeds, Amelia Earhart Festival, Santa Fe Depot Enhancement, Veteran's Memorial Park, Jackson Park Revitalization, International Forest of Friendship and the White Clay Watershed District.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water/wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater funds are charges to customers for sales and services. Operating expenses for the water and wastewater funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Pooled Cash and Investments

Cash and cash equivalents of the individual funds are combined to form a pool that is managed by the Director of Finance. Each fund's equity in the pool is included in "cash and cash equivalents" in the financial statements. These pooled funds consist of operating accounts. Investment earnings, including interest income, are allocated to the funds required to accumulate interest; other investment earnings are allocated based on management discretion and upon their average monthly equity balances. If a fund is not required to account for its own earnings by law or regulation, the earnings are allocated to the General Fund. For the fiscal year ended December 31, 2011, interest earnings allocated to the various funds were \$ 39,605.

Cash Flows Statement

For purposes of the cash flows statement, the City considers deposits and highly liquid investments with an original maturity of three months or less to be cash equivalents.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade accounts receivable are shown net of an allowance for uncollectibles. Management records a trade accounts receivable allowance based on percentages of collection estimated from the aging of the accounts receivable. At December 31, 2011, an allowance for uncollectible receivables of approximately \$ 308,000 has been recorded.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds deferred revenue is reported as follows:

General fund property tax receivable	\$ 2,328,175
Debt service fund property tax receivable	474,049
Debt service fund special assessments receivable	<u>31,245</u>
	<u>\$ 2,833,469</u>

Property Taxes

The City's property taxes are levied each year on the assessed value of all real estate listed as of the prior January 1, the lien date. Assessed values are established by the Atchison County Assessor. The assessed value for property located in the City on which the 2011 levy was based was \$ 63,148,879.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Property Taxes (Continued)

Property taxes are legally restricted for use in financing operations of the ensuing year. Accordingly, the City defers revenue recognition until the year for which they are to be used. Property taxes are levied on November 1. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. Property taxes become delinquent on December 20 of each fiscal year if the taxpayer has not remitted at least one-half of the amount due. The 2010 tax levy per \$ 1,000 of assessed valuation which supports the 2011 budget was as follows:

General Fund	\$ 37.892
Debt Service Fund	8.255
Component unit:	
Public Library	<u>6.733</u>
	<u>\$ 52.880</u>

Taxes receivable represent property taxes and special assessments levied for 2011 and prior years that have not yet been collected, net of estimated uncollectibles.

Restricted Assets

Restricted cash is set aside in the wastewater fund for wastewater capital improvements.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g., roads, bridges, sidewalks and similar items) and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$ 2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives.

Buildings and systems	20 - 40 years
Improvements	20 years
Machinery and equipment	3 - 10 years
Infrastructure	40 years

Compensated Absences

Under the terms of the City's personnel policy, City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee with twenty years of service or more will receive accumulated sick leave up to a maximum of 120 days and all accumulated vacation leave, provided the employee has met all conditions set forth in Section VI of the City's personnel policy. An employee with fifteen to twenty years of service will receive one-half of accumulated sick leave, which is limited to a maximum of forty-five days, and all accumulated vacation leave in the event of termination. An employee with ten to fifteen years of service will receive one-fourth of accumulated sick leave, which is limited to a maximum of fifteen days, and all accumulated vacation leave in the event of termination. All vacation pay is accrued when incurred and the varying amounts of accumulated sick leave are accrued upon attaining ten, fifteen and twenty years of service in the government-wide and proprietary financial statements. In the governmental fund financial statements, a liability is accrued when it has matured, for example, as a result of employee resignations and retirements.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of December 31, 2011, fund balances for governmental funds are made up of the following:

Nonspendable fund balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed fund balance – includes amounts that can only be spent for specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Commission. Commitments may be changed or lifted only by the City Commission taking the same formal action that imposed the constraint originally.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1 - Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

Assigned fund balance – includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the City Commission or (2) a body or official to which the City Commission has delegated the authority to assign amounts to be used for specific purposes.

Unassigned fund balance – is the residual classification for the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Change in Accounting Principle

In previous years, the Insurance Reserve, Law Enforcement and Municipal Equipment Reserve funds were classified as special revenue funds. With the implementation of GASB Statement No. 54 in 2011, it was determined that these funds no longer qualify as special revenue funds, and these funds were combined with the General Fund. The beginning balances of Other Governmental Funds and the General Fund have been adjusted on the Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds.

Concentrations of Credit Risk

Unsecured credit is extended to customers for water and sewer fees and charges for services. Intergovernmental receivables include unsecured amounts due from federal, state and county agencies for various grant programs. Credit is extended to citizens for special assessments levied by the City for capital improvements. These assessments are secured by liens on the related properties.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements

At December 31, 2011, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements that might impact the City are as follows:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, was issued in November 2010. The objective of this statement is to improve financial reporting by modifying certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria and guidance for reporting component units as if they were part of the primary government (that is, blending). Additionally, this statement requires a primary government to report its equity interest in a component unit as an asset. The provisions of this statement are effective for periods beginning after June 15, 2012.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued in June of 2011. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued in March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflow of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. In addition, debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. Accounting changes adopted to conform to the provisions of the Statement should be applied retroactively by restating financial statements, if practical, for all periods presented.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$ 4,721,215 difference are as follows:

Bonds payable	\$ (3,852,676)
Capital leases payable	(123,827)
Accrued interest payable	(57,491)
Deferred charges for issuance costs	30,840
Compensated absences	(539,409)
Net other postemployment benefit obligation	<u>(178,652)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (4,721,215)</u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and change in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$ 1,233,116 difference are as follows:

Capital outlay	\$ 2,012,258
Depreciation expense	<u>(779,142)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ 1,233,116</u>

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

Another element of that reconciliation states that "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$ 1,345,448 difference are as follows:

Principal repayments:	
General obligation debt	\$ 522,643
Capital leases	21,532
Net other postemployment benefit obligation	5,320
Debt issued or uninsured	
General obligation debt	(1,830,000)
Bond issuance costs	31,755
Net other postemployment benefit obligation	<u>(96,698)</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ (1,345,448)</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$ 28,791 difference are as follows.

Compensated absences	\$ 56,388
Amortization of bond issuance costs	(915)
Accrued interest	<u>(26,682)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ 28,791</u>

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3 - Stewardship, Compliance and Accountability

Budgetary Information

Applicable Kansas statutes require that budgets be legally adopted for all funds unless exempted by a specific statute. Legal operating budgets are required for the General, Special Alcohol, Special Parks and Recreation, Motor Fuel, and the Debt Service Funds. Budgets are not required for the Façade Improvements, Law Enforcement, DARE, Grants, Insurance Reserve, Capital Projects, Municipal Equipment Reserve, Water, Wastewater and Refuse Funds. All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting - that is, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures.

The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in a local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

Kansas statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no amendments to the original budget for the year ended December 31, 2011.

Under Kansas statutes management cannot amend the total budget of a fund without approval of the governing body; however, the statutes permit transferring budgeted amounts between line items within an individual fund or department. Therefore, the legal level of control is at the fund level for all legally adopted budgets. The City has elected to pursue a policy of requiring approval of the City Manager on major category changes exceeding \$ 5,000. City Commission approval is not needed for category changes or budget transfers within an approved budget. Major category means total personnel services, total contractual services, total materials and supplies, total other charges, or total capital outlay.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

4 - Deposits and Investments

Credit risk

Kansas statutes authorize the City and the Library, with certain restrictions, to deposit or invest in temporary notes, no-fund warrants, open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury Bills and Notes, the municipal investment pool, or to make direct investments. City Resolution 4896 further limits the investment of temporarily idle funds of the City to either, or all, of the following:

1. Direct obligations of the United States Government.
2. Temporary notes of the City.
3. Interest bearing certificates of deposit of the depository banks of the City.
4. Interest bearing accounts with federally insured savings and loan associations in such amounts not exceeding such federal insurance.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. Kansas statutes require that deposits be collateralized, and that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts, and must be assigned for the benefit of the City. At December 31, 2011, the City's deposits were not exposed to custodial credit risk. The deposits for the Library, including certificates of deposit classified as investments on the statement of net assets, were not exposed to custodial credit risk.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5 - Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,884,933	\$ -	\$ -	\$ 1,884,933
Construction in progress	93,315	752,879	-	846,194
Total capital assets not being depreciated	1,978,248	752,879	-	2,731,127
Capital assets being depreciated:				
Buildings and systems	2,446,697	-	-	2,446,697
Improvements	7,603,364	38,310	-	7,641,674
Machinery and equipment	3,494,387	531,450	(69,814)	3,956,023
Infrastructure	18,150,981	689,619	(5,978)	18,834,622
Total capital assets being depreciated	31,695,429	1,259,379	(75,792)	32,879,016
Less accumulated depreciation for:				
Buildings and systems	(1,631,197)	(35,536)	-	(1,666,733)
Improvements	(1,826,972)	(264,690)	-	(2,091,662)
Machinery and equipment	(2,710,214)	(278,866)	49,268	(2,939,812)
Infrastructure	(12,554,703)	(200,050)	5,978	(12,748,775)
Total accumulated depreciation	(18,723,086)	(779,142)	55,246	(19,446,982)
Total capital assets being depreciated, net	12,972,343	480,237	(20,546)	13,432,034
Governmental activities capital assets, net	\$ 14,950,591	\$ 1,233,116	\$ (20,546)	\$ 16,163,161

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5 - Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 101,537	\$ -	\$ -	\$ 101,537
Construction in progress	4,600,811	234,413	(4,578,282)	256,942
Total capital assets not being depreciated	4,702,348	234,413	(4,578,282)	358,479
Capital assets being depreciated:				
Buildings and systems	29,793,871	6,985,747	(43,437)	36,736,181
Machinery and equipment	1,876,244	453,270	(200,562)	2,128,952
Total capital assets being depreciated	31,670,115	7,439,017	(243,999)	38,865,133
Less accumulated depreciation for:				
Buildings and systems	(15,225,084)	(608,282)	43,438	(15,789,928)
Machinery and equipment	(1,283,975)	(197,238)	163,894	(1,317,319)
Total accumulated depreciation	(16,509,059)	(805,520)	207,332	(17,107,247)
Total capital assets being depreciated, net	15,161,056	6,633,497	(36,667)	21,757,886
Business-type activities capital assets, net	<u>\$ 19,863,404</u>	<u>\$ 6,867,910</u>	<u>\$ (4,614,949)</u>	<u>\$ 22,116,365</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 421,797
Public safety	120,788
Public works	200,398
Parks and recreation	36,159
Total depreciation expense - governmental activities	<u>\$ 779,142</u>
Business-type activities:	
Water	\$ 448,292
Wastewater	322,826
Refuse	34,402
Total depreciation expense - business-type activities	<u>\$ 805,520</u>

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5 - Capital Assets (Continued)

Discretely Presented Component Unit

Capital asset activity for the Library for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Library:				
Capital assets not being depreciated:				
Land	\$ 8,995	\$ -	\$ -	\$ 8,995
Capital assets being depreciated:				
Buildings and systems	570,947	16,000	-	586,947
Books	543,448	29,189	(80)	572,557
Machinery and equipment	58,528	1,600	-	60,128
Total capital assets being depreciated	1,172,923	46,789	(80)	1,219,632
Less accumulated depreciation for:				
Buildings and systems	(179,732)	(15,671)	-	(195,403)
Books	(503,894)	(26,927)	80	(530,741)
Machinery and equipment	(38,241)	(4,384)	-	(42,625)
Total accumulated depreciation	(721,867)	(46,982)	80	(768,769)
Total capital assets being depreciated, net	451,056	(193)	-	450,863
Library capital assets, net	\$ 460,051	\$ (193)	\$ -	\$ 459,858

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plan

Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100; Topeka, Kansas 66603-3803) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for all employees hired prior to July 1, 2009. K.S.A. 74-49,210 establishes the KPERS member-employee contribution rate at 6% of covered salary for all employees hired after July 1, 2009. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for January through March and July through December 2011 was 7.74%. The KPERS employer rate established by statute for April through June 2011 was 6.74%. The City's employer contributions to KPERS for the years ending December 31, 2011, 2010, and 2009 were \$ 155,232, \$ 139,964, and \$ 117,273, respectively, equal to the statutory required contributions for each year. The City's KP&F uniform participating employer rate established for calendar year 2011 is 15.55%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The contributions to KP&F for the years ending December 31, 2011, 2010, and 2009 were approximately \$ 281,000, \$ 227,000, and \$ 232,000, respectively, equal to the statutory required contributions for each year.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7 - Other Postemployment Healthcare Benefits

Description. The City offers postemployment health insurance to retired employees. The benefits are provided through a single employer defined benefit postemployment healthcare plan administered by the City. Kansas statutes provide that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements until the individuals become eligible for Medicare coverage at age 65. The medical insurance benefit provides the same coverage for retirees and their dependents as for active employees and their dependents. The benefit is available for selection at retirement and is extended to early retirees with at least ten years of service and their dependents until the individuals become eligible for Medicare at 65. The plan does not issue a stand-alone financial report.

Funding Policy. The City provides health insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040). Kansas statutes, which may be amended by the state legislature, establish that participating retirees may be required to contribute to the employee group health benefits plan, including administrative costs at an amount not to exceed 125 percent of the premium cost for other similarly situated employees. The City requires participating retirees to contribute 100 percent of the composite premium cost of active employees to maintain coverage.

The City appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditures on a pay-as-you-go basis through the General Fund. In 2011, the City contributed \$ 5,320 to the plan.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7 - Other Postemployment Healthcare Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB (other post employment benefit) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of not to exceed thirty years. The following table presents the components of the City's annual OPEB cost for the year, the amount contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 98,060
Interest on net OPEB obligation	3,491
Adjustment to annual required contribution	<u>(4,853)</u>
Annual OPEB cost (expense)	96,698
Contributions made	<u>(5,320)</u>
Increase in net OPEB obligation	91,378
Net OPEB obligation, January 1, 2011	<u>87,274</u>
Net OPEB obligation, December 31, 2011	<u>\$ 178,652</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 38,659	19%	\$ 58,480
2010	\$ 38,228	25%	\$ 87,274
2011	\$ 96,698	5%	\$ 178,652

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7 - Other Postemployment Healthcare Benefits (Continued)

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$ 715,731. The City's policy is to fund the benefits on a pay-as-you-go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 715,731. The covered payroll (annual payroll of active employees covered by the plan) was \$ 4,301,658 and the ratio of the UAAL to the covered payroll was 16.6% percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present in time, multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2011 actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 4.0 percent discount rate, which reflects the expected returns of asset classes stipulated in the investment policy underlying idle funds and recent return experience with cash flows that match the expected benefit payments to the City's current and future retirees. The valuation assumed annual healthcare cost trend rates of 8.0, 7.5, 7.0, 6.5, 6.0, 5.5, and 5.0 percent in the first seven years and an ultimate rate of 5.0 percent thereafter. The valuation assumed a 3.0 percent inflation rate. The UAAL is being amortized using the level dollar of projected payroll method over a period of 30 years with the remaining amortization period of 30 years. The amortization period used is open.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Risk Management

The City is exposed to various risks of loss related to torts; damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have not been significant reductions in coverage from prior years.

9 - Commitments and Contingencies

Capital Projects

The City has the following projects in progress at December 31, 2011:

	<u>Costs to Date</u>	<u>Amount Authorized</u>
General Government:		
4th Street reconstruction	\$ 15,772	\$ 107,829
Airport taxi way	78,896	99,440
Wastewater:		
CSO project	<u>224,957</u>	<u>not determined</u>
	<u>\$ 319,625</u>	<u>\$ 207,269</u>

Litigation

There are a number of claims and/or lawsuits to which the City is a party as a result of the ordinary course of City activities. The City management and legal counsel anticipate that the potential claims against the City not covered by insurance, if any, resulting from such matters would not materially affect the financial position of the City.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9 - Commitments and Contingencies (Continued)

Industrial Revenue Bonds

The City has issued industrial revenue bonds to finance the purchase of land and construction of facilities leased to local businesses. The lease agreements provide for rentals sufficient to service the related bonds. The debt service on these issues is paid solely from lease agreements; these issues do not constitute a debt of the City. The lessees have the option of purchasing the leased properties at any time during the lease periods for amounts sufficient to retire the related outstanding bonds. At the end of the lease periods, which conform to bond maturity schedules, the lessees may either purchase the property for a nominal amount or renew the leases annually at nominal amounts. As of December 31, 2011, industrial revenue bonds of \$ 46,651,694 are outstanding.

10 - Long-Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

General obligation bonds payable at December 31, 2011 are comprised of the following issues:

	Callable Date	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2011	Outstanding December 31, 2011
General Obligation Bonds:						
Governmental activities:						
Series 2002-A	9/1/2010	3.50% to 4.15%	\$ 1,748,000	2012	\$ 230,000	\$ 240,000
Series 2004-A	9/1/2012	2.90% to 3.70%	500,000	2014	55,000	170,000
Series 2007-A	9/1/2015	3.50% to 4.00%	2,300,000	2017	220,000	1,520,000
Series 2010-A	N/A	2.00% to 2.50%	110,319	2018	17,643	92,676
Series 2011-A	9/1/2019	2.00% to 4.15%	1,830,000	2031	-	1,830,000
					<u>522,643</u>	<u>3,852,676</u>
Business-type activities:						
Series 2001-A	9/1/2011	4.00% to 6.00%	9,965,000	2018	505,000	-
Series 2010-A	N/A	2.00% to 2.50%	6,124,681	2018	82,357	6,042,324
					<u>587,357</u>	<u>6,042,324</u>
					<u>\$ 1,110,000</u>	<u>\$ 9,895,000</u>

The installment ranges for the general obligation bonds are the following:

	Installment Range	
	Low	High
General Obligation Bonds:		
Governmental activities:		
Series 2002-A	\$ 240,000	\$ 240,000
Series 2004-A	55,000	60,000
Series 2007-A	230,000	280,000
Series 2010-A	17,808	19,276
Series 2011-A	25,000	165,000
Business-type activities:		
Series 2010-A	607,192	975,000

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

The future annual requirements for general obligation bonds outstanding as of December 31, 2011 are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 542,808	\$ 137,674	\$ 607,192	\$ 132,348
2013	443,165	102,623	866,835	120,204
2014	458,529	89,122	891,472	102,868
2015	408,898	74,933	911,102	85,038
2016	424,276	62,337	930,723	66,816
2017-2021	1,035,000	167,940	1,835,000	67,375
2022-2026	405,000	55,500	-	-
2027-2031	135,000	17,393	-	-
	<u>\$ 3,852,676</u>	<u>\$ 707,522</u>	<u>\$ 6,042,324</u>	<u>\$ 574,649</u>

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases and therefore have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset:	
Fire truck	\$ 246,422
Less accumulated depreciation	<u>(246,422)</u>
Net book value	<u>\$ -</u>
Jet Vac truck	\$ 206,000
Less accumulated depreciation	<u>(27,018)</u>
Net book value	<u>\$ 178,982</u>

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Long-Term Debt (Continued)

Capital Leases (Continued)

The following is a schedule of future minimum lease payments for capital leases as of December 31, 2011:

	Governmental Activities	Business-type Activities
2012	\$ 28,364	\$ 45,037
2013	28,364	45,037
2014	28,364	45,037
2015	28,364	45,037
2016	28,364	45,037
	<hr/>	<hr/>
	141,820	225,185
Amount representing interest	17,993	19,185
	<hr/>	<hr/>
	\$ 123,827	\$ 206,000
	<hr/>	<hr/>

Revolving Loans Payable

The City entered into a loan agreement with the Kansas Department of Health and Environment (KDHE) on August 21, 2009. According to the agreement, KDHE will loan an amount not to exceed \$ 3,834,075 to the City for the purpose of replacing over 24,000 feet of deteriorated water line and constructing a new pump station. The interest rate on the loan is 3.75%. The first payment of principal and interest on the loan is to be made the earlier of two years after receipt by the City of the first disbursement under the loan or one year after project completion. The City was informed by KDHE on February 26, 2010 that principal forgiveness equal to 32% of the total construction contract amount as of February 17, 2010 was granted using American Recovery and Reinvestment Act (ARRA) funds. Once the project is complete and the loan amount is finalized, the repayment schedule will be revised to reflect the amount of principal forgiven. As of December 31, 2011, \$ 3,455,815 of the available loan balance has been drawn down. Project costs of \$ 3,702,333 and \$ 48,986 of capitalized interest and fees have been incurred for this project. Principal and interest payments of \$ 52,262 and \$ 77,323, respectively, were made during 2011.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Long-Term Debt (Continued)

Revolving Loans Payable (Continued)

The City entered into another loan agreement with the Kansas Department of Health and Environment (KDHE) during 2010. According to the agreement, KDHE will loan an amount not to exceed \$ 3,657,035 to the City for the purpose of wastewater force main upgrades. The interest rate on the loan is 3.75%. The first payment of principal and interest on the loan is to be made the earlier of two years after receipt by the City of the first disbursement under the loan or one year after project completion. Once the project is complete and the loan amount is finalized, the repayment schedule will be finalized. As of December 31, 2011, \$ 2,275,000 of the available loan balance has been drawn down and project costs of \$ 2,275,000 have been incurred for this project.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 2,545,319	\$ 1,830,000	\$ (522,643)	\$ 3,852,676	\$ 542,808
Capital leases:					
Fire truck	145,359	-	(21,532)	123,827	22,544
Compensated absences	595,797	267,520	(323,908)	539,409	186,398
Net other postemployment benefit obligation	87,274	96,698	(5,320)	178,652	-
Governmental activities long-term liabilities	<u>\$ 3,373,749</u>	<u>\$ 2,194,218</u>	<u>\$ (873,403)</u>	<u>\$ 4,694,564</u>	<u>\$ 751,750</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 6,629,681	\$ -	\$ (587,357)	\$ 6,042,324	\$ 607,192
Less deferred amount on refunding	(268,517)	-	35,025	(233,492)	-
Plus issuance premiums	126,675	-	(16,523)	110,152	-
Loans payable	4,466,912	1,559,407	(52,262)	5,974,057	-
Capital leases:					
Jet Vac truck	-	206,000	-	206,000	38,772
Compensated absences	123,858	65,340	(71,543)	117,655	47,836
Business-type activities long-term liabilities	<u>\$ 11,078,609</u>	<u>\$ 1,830,747</u>	<u>\$ (692,660)</u>	<u>\$ 12,216,696</u>	<u>\$ 693,800</u>
Component unit Library:					
Compensated absences	<u>\$ 11,249</u>	<u>\$ 1,761</u>	<u>\$ (4,724)</u>	<u>\$ 8,286</u>	<u>\$ 4,724</u>

For the governmental activities, compensated absences and the net OPEB obligation are generally liquidated by the general fund.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Interfund Transactions

Interfund transfers for the year ended December 31, 2011 consisted of the following:

Transfers out	Transfers in				
	General fund	Capital projects fund	Nonmajor governmental funds	Water fund	Wastewater fund
General fund	\$ -	\$ 156,382	\$ -	\$ -	\$ -
Capital projects	-	-	64,568	-	-
Nonmajor governmental funds	23,000	120,000	-	-	-
Water fund	336,375	-	-	-	812,455
Wastewater fund	262,093	-	-	190,856	-
Nonmajor enterprise funds	35,000	-	-	-	-
Total	<u>\$ 656,468</u>	<u>\$ 276,382</u>	<u>\$ 64,568</u>	<u>\$ 190,856</u>	<u>\$ 812,455</u>

Transfers are used to move revenues from the fund that statutes or the budget requires to collect them to the fund that statutes or the budget requires to expend them. Nonroutine transfers include transfers to the nonmajor funds from the general fund and nonmajor governmental funds to fund equipment purchases, and transfers to nonmajor governmental funds from nonmajor governmental funds, the wastewater fund, and the general fund to fund capital projects and from the water fund, wastewater fund, and nonmajor enterprise fund to the general fund for administrative services provided.

Capital asset transfers of \$ 47,924 occurred from the governmental activities to the business-type activities and are reported within transfers on the statement of activities.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Required Improvements to Sanitary Sewer Collection System

Based upon an administrative order dated January 20, 2004 from the Kansas Department of Health and Environment (KDHE), the City is required to make improvements and replacements to the City's sanitary sewer collection system. Under the terms of the administrative order, a study was performed by an engineer to determine the extent and cost of the repairs. A second administrative order was issued on September 9, 2009 with updated mandates and new deadlines. The City appealed this administrative order and required a hearing which was postponed pending consent agreement negotiations. The negotiations were successful and the consent agreement was agreed upon in 2011. The consent agreement sets forth timelines for completion of certain updates and repairs to the City's sanitary sewer collection system. The City is also required to provide a plan to raise revenue via residential, industrial, and commercial sewer rate increases, sales tax, stormwater fees or other means over the next five years to the equivalent of \$ 3.1 million annually (after five years) to operate, upgrade and maintain the current wastewater utility treatment facilities and to complete the mandated projects. The City is required to spend \$ 12.4 million over a period of the first zero to five years of the consent agreement.

13 - Commitments and Contingencies – Encumbrances

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for cash expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities, but, rather, as restricted, committed, or assigned fund balance. At December 31, 2011, the City's recorded encumbrances in budgeted governmental funds were as follows:

General	\$ 29,177
Other nonmajor governmental funds	<u>2,164</u>
	<u>\$ 31,341</u>

**Required
Supplementary
Information**

2011

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ATCHISON, KANSAS

SCHEDULE OF FUNDING PROGRESS
POSTEMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Attained Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2008	\$ -	\$ 200,479	\$ 200,479	0.0%	\$ 4,177,973	4.8%
12/31/2011	\$ -	\$ 715,731	\$ 715,731	0.0%	\$ 4,301,658	16.6%

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes:			
Ad valorem taxes	\$ 2,310,105	\$ 2,320,172	\$ 10,067
Delinquent taxes	35,000	39,323	4,323
Motor vehicle tax	305,837	293,549	(12,288)
Vehicle excise tax	1,445	329	(1,116)
Payments in lieu of taxes	25,000	23,639	(1,361)
City sales tax	1,489,500	1,587,341	97,841
Franchise tax	1,129,960	1,304,264	174,304
Recreational vehicle tax	2,676	2,125	(551)
16-20 M truck vehicle tax	2,971	2,899	(72)
	<u>5,302,494</u>	<u>5,573,641</u>	<u>271,147</u>
Intergovernmental revenues:			
Special highway	60,576	63,330	2,754
Special liquor	32,316	30,489	(1,827)
	<u>92,892</u>	<u>93,819</u>	<u>927</u>
Charges for services	<u>128,339</u>	<u>191,121</u>	<u>62,782</u>
Licenses and permits	<u>60,250</u>	<u>103,960</u>	<u>43,710</u>
Interest on investments	<u>5,750</u>	<u>9,971</u>	<u>4,221</u>
Fines and fees	<u>278,508</u>	<u>329,666</u>	<u>51,158</u>
Miscellaneous:			
Sales of cemetery lots	1,500	1,800	300
Donations	-	-	-
Other	11,440	13,878	2,438
Management fee - Watershed	42,466	42,885	419
	<u>55,406</u>	<u>58,563</u>	<u>3,157</u>
Total revenues	<u>\$ 5,923,639</u>	<u>\$ 6,360,741</u>	<u>\$ 437,102</u>

(Continued)

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Expenditures:			
General government:			
City Manager:			
Personnel services	\$ 153,853	\$ 156,435	\$ (2,582)
Contractual services	9,700	10,693	(993)
Materials and supplies	7,500	1,811	5,689
	<u>171,053</u>	<u>168,939</u>	<u>2,114</u>
Human resources:			
Personnel services	62,986	63,361	(375)
Contractual services	20,108	6,213	13,895
Materials and supplies	3,450	3,693	(243)
	<u>86,544</u>	<u>73,267</u>	<u>13,277</u>
Finance:			
Personnel services	233,040	238,384	(5,344)
Contractual services	104,011	70,740	33,271
Materials and supplies	5,700	5,595	105
	<u>342,751</u>	<u>314,719</u>	<u>28,032</u>
Municipal court:			
Personnel services	83,617	80,271	3,346
Contractual services	9,205	17,459	(8,254)
Materials and supplies	416	732	(316)
	<u>\$ 93,238</u>	<u>\$ 98,462</u>	<u>\$ (5,224)</u>

(Continued)

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Building official and buildings and grounds:			
Personnel services	\$ 325,408	\$ 255,763	\$ 69,645
Contractual services	180,017	214,634	(34,617)
Materials and supplies	3,376	7,278	(3,902)
	<u>508,801</u>	<u>477,675</u>	<u>31,126</u>
Other general government:			
Contractual services	387,182	388,192	(1,010)
Materials and supplies	8,500	-	8,500
Contingency	178,685	22,853	155,832
	<u>574,367</u>	<u>411,045</u>	<u>163,322</u>
Total general government	<u>1,776,754</u>	<u>1,544,107</u>	<u>232,647</u>
Public safety:			
Fire department:			
Personnel services	1,147,261	1,220,313	(73,052)
Contractual services	49,048	57,327	(8,279)
Materials and supplies	23,493	21,395	2,098
	<u>1,219,802</u>	<u>1,299,035</u>	<u>(79,233)</u>
Police department:			
Personnel services	1,422,669	1,439,546	(16,877)
Contractual services	19,741	28,445	(8,704)
Materials and supplies	76,200	75,649	551
	<u>\$ 1,518,610</u>	<u>\$ 1,543,640</u>	<u>\$ (25,030)</u>

(Continued)

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Animal control:			
Personnel services	\$ 37,286	\$ 30,651	\$ 6,635
Contractual services	15,600	10,888	4,712
Materials and supplies	3,250	3,350	(100)
	<u>56,136</u>	<u>44,889</u>	<u>11,247</u>
Total public safety	<u>2,794,548</u>	<u>2,887,564</u>	<u>(93,016)</u>
Public works:			
Engineering:			
Personnel services	150,246	141,563	8,683
Contractual services	1,886	4,599	(2,713)
Materials and supplies	924	287	637
	<u>153,056</u>	<u>146,449</u>	<u>6,607</u>
Amelia Earhart Airport:			
Contractual services	33,001	34,072	(1,071)
Materials and supplies	40,822	64,133	(23,311)
	<u>73,823</u>	<u>98,205</u>	<u>(24,382)</u>
Fleet maintenance:			
Contractual services	23,300	29,261	(5,961)
Materials and supplies	68,951	71,775	(2,824)
	<u>92,251</u>	<u>101,036</u>	<u>(8,785)</u>
AHCC:			
Contractual services	\$ 50,925	\$ 6,294	\$ 44,631

(Continued)

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Public works administration:			
Personnel services	\$ 965,178	\$ 894,145	\$ 71,033
Contractual services	37,047	36,908	139
Materials and supplies	147,926	164,565	(16,639)
	<u>1,150,151</u>	<u>1,095,618</u>	<u>54,533</u>
Total public works	<u>1,520,206</u>	<u>1,447,602</u>	<u>72,604</u>
Parks and recreation:			
Parks:			
Contractual services	61,315	74,148	(12,833)
Materials and supplies	81,398	74,806	6,592
	<u>142,713</u>	<u>148,954</u>	<u>(6,241)</u>
Municipal pool:			
Personnel services	43,229	46,453	(3,224)
Contractual services	86,652	5,409	81,243
Materials and supplies	22,113	34,437	(12,324)
	<u>151,994</u>	<u>86,299</u>	<u>65,695</u>
Oak Hill Cemetery:			
Contractual services	5,047	3,950	1,097
Materials and supplies	344	720	(376)
	<u>5,391</u>	<u>4,670</u>	<u>721</u>
Total parks and recreation	<u>300,098</u>	<u>239,923</u>	<u>60,175</u>
Total expenditures	<u>6,391,606</u>	<u>6,119,196</u>	<u>272,410</u>
Excess of revenues over (under) expenditures	<u>\$ (467,967)</u>	<u>\$ 241,545</u>	<u>\$ 709,512</u>

(Continued)

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Other financing sources (uses):			
Sale of capital assets	\$ -	\$ 160,790	\$ 160,790
Transfers in	492,200	492,200	-
Transfers out	(340,173)	(340,173)	-
Total other financing sources (uses)	152,027	312,817	160,790
Net change in fund balances	(315,940)	554,362	870,302
Fund balances, beginning	650,376	1,016,875	366,499
Fund balances, ending	\$ 334,436	\$ 1,571,237	\$ 1,236,801

CITY OF ATCHISON, KANSAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2011

1 - General

All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting – that is, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures.

2 - Reconciliation

Explanation of differences between budget and GAAP net change in fund balances:

Net change in fund balance - budget	\$ 554,362
Net change in fund balance for non-budgeted funds included with the General Fund on GAAP basis financials:	
Insurance reserve	(3,580)
Municipal equipment reserve	151,569
Law enforcement	196
Encumbrances for equipment and supplies ordered but not yet received are reported in the year the orders are placed for budgetary purposes, but are reported in the year the equipment and supplies are received for GAAP purposes:	
2011 encumbrances	29,177
2010 encumbrances	(40,894)
Net change in fund balance - GAAP	<u>\$ 690,830</u>

**Other
Supplementary
Information**

2011

OTHER SUPPLEMENTARY INFORMATION

CITY OF ATCHISON, KANSAS

COMBINING BALANCE SHEET
GENERAL FUND

December 31, 2011

	General	Insurance Reserve	Municipal Equipment Reserve	Law Enforcement	Total General Fund
Assets:					
Cash and cash equivalents	\$ 1,274,766	\$ 36,831	\$ 466,917	\$ 15,602	\$ 1,794,116
Receivables (net of allowance for uncollectibles):					
Taxes	2,751,265	-	-	-	2,751,265
Accounts	110,876	-	-	-	110,876
Due from others	35,207	-	-	-	35,207
Total assets	\$ 4,172,114	\$ 36,831	\$ 466,917	\$ 15,602	\$ 4,691,464
Liabilities and fund balances:					
Liabilities:					
Accounts payable	\$ 159,204	\$ 275	\$ -	\$ -	\$ 159,479
Accrued payroll	84,319	-	-	-	84,319
Deferred revenue	2,328,175	-	-	-	2,328,175
Total liabilities	2,571,698	275	-	-	2,571,973
Fund balances:					
Assigned	29,178	36,556	466,917	15,602	548,253
Unassigned	1,571,238	-	-	-	1,571,238
Total fund balances	1,600,416	36,556	466,917	15,602	2,119,491
Total liabilities and fund balances	\$ 4,172,114	\$ 36,831	\$ 466,917	\$ 15,602	\$ 4,691,464

CITY OF ATCHISON, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GENERAL FUND

Year Ended December 31, 2011

	General	Insurance Reserve	Municipal Equipment Reserve	Law Enforcement	Eliminations	Total General Fund
Revenues:						
Taxes:						
Property	\$ 2,658,397	\$ -	\$ -	\$ -	\$ -	\$ 2,658,397
Sales	1,587,341	-	-	-	-	1,587,341
Franchise	1,304,264	-	-	-	-	1,304,264
Payments in lieu of taxes	23,639	-	-	-	-	23,639
Intergovernmental	93,819	-	-	-	-	93,819
Licenses and permits	103,960	-	-	-	-	103,960
Charges for services	191,121	-	-	-	-	191,121
Fines and fees	329,666	-	-	-	-	329,666
Interest on investments	9,971	239	2,179	85	-	12,474
Other	58,563	5,536	-	1,125	-	65,224
Total revenues	<u>6,360,741</u>	<u>5,775</u>	<u>2,179</u>	<u>1,210</u>	<u>-</u>	<u>6,369,905</u>
Expenditures:						
Current:						
General government	1,545,622	19,355	-	-	-	1,564,977
Public works	1,450,485	-	-	-	-	1,450,485
Public safety	2,888,084	-	-	1,014	-	2,889,098
Parks and recreation	246,722	-	-	-	-	246,722
Debt service:						
Principal	-	-	21,532	-	-	21,532
Interest and fiscal charges	-	-	6,832	-	-	6,832
Capital outlay	-	-	176,530	-	-	176,530
Total expenditures	<u>6,130,913</u>	<u>19,355</u>	<u>204,894</u>	<u>1,014</u>	<u>-</u>	<u>6,356,176</u>
Excess/(deficiency) of revenues over (under) expenditures	<u>229,828</u>	<u>(13,580)</u>	<u>(202,715)</u>	<u>196</u>	<u>-</u>	<u>13,729</u>
Other financing sources (uses):						
Sale of capital assets	160,790	-	16,225	-	-	177,015
Transfers in	492,200	10,000	338,059	-	(183,791)	656,468
Transfers out	(340,173)	-	-	-	183,791	(156,382)
Total other financing sources (uses)	<u>312,817</u>	<u>10,000</u>	<u>354,284</u>	<u>-</u>	<u>-</u>	<u>677,101</u>
Net change in fund balances	<u>542,645</u>	<u>(3,580)</u>	<u>151,569</u>	<u>196</u>	<u>-</u>	<u>690,830</u>
Fund balances, beginning of year as previously stated	1,057,771	-	-	-	-	1,057,771
Change in accounting principle	-	40,136	315,348	15,406	-	370,890
Fund balances, beginning of year as restated	1,057,771	40,136	315,348	15,406	-	1,428,661
Fund balances, end of year	<u>\$ 1,600,416</u>	<u>\$ 36,556</u>	<u>\$ 466,917</u>	<u>\$ 15,602</u>	<u>\$ -</u>	<u>\$ 2,119,491</u>

CITY OF ATCHISON, KANSAS

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Façade Improvements - to account for a revolving loan fund to assist business owners with capital improvements to privately owned buildings in downtown Atchison.

Special Alcohol - to account for revenues and expenditures for the prevention of drug and alcohol abuse.

Special Parks and Recreation - to account for revenues and expenditures for the upkeep and upgrade of existing parks and recreation facilities.

Motor Fuel - to account for the City's highway aid payments distributed from the State.

DARE - to account for funds donated that will be used specifically for DARE activities in the Police Department.

Grants - to account for grant proceeds received from various funding sources.

Debt Service Fund

Debt Service Fund - to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

CITY OF ATCHISON, KANSAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2011

	<u>Façade Improvements</u>	<u>Special Alcohol</u>	<u>Special Parks and Recreation</u>
Assets:			
Cash and cash equivalents	\$ -	\$ 6,783	\$ 10,965
Taxes receivable	-	-	-
Special assessments receivable	-	-	-
Intergovernmental receivable	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ 6,783</u>	<u>\$ 10,965</u>
Liabilities:			
Accounts payable	\$ -	\$ 1,838	\$ -
Deferred revenue	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>1,838</u>	<u>-</u>
Fund balances:			
Restricted:			
General government	-	4,945	-
Public works	-	-	-
Public safety	-	-	-
Parks and recreation	-	-	10,965
Debt service	-	-	-
Assigned	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>4,945</u>	<u>10,965</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 6,783</u>	<u>\$ 10,965</u>

Special Revenue

Motor Fuel	DARE	Grants	Total Special Revenue Funds	Debt Service	Total Nonmajor Governmental Funds
\$ 24,261	\$ 12,067	\$ 28,940	\$ 83,016	\$ 324,889	\$ 407,905
-	-	-	-	474,049	474,049
-	-	-	-	31,245	31,245
-	-	2,704	2,704	-	2,704
<u>\$ 24,261</u>	<u>\$ 12,067</u>	<u>\$ 31,644</u>	<u>\$ 85,720</u>	<u>\$ 830,183</u>	<u>\$ 915,903</u>
\$ 3,020	\$ -	\$ 2,761	\$ 7,619	\$ -	\$ 7,619
-	-	-	-	505,294	505,294
<u>3,020</u>	<u>-</u>	<u>2,761</u>	<u>7,619</u>	<u>505,294</u>	<u>512,913</u>
-	-	2,532	7,477	-	7,477
21,241	-	16,949	38,190	-	38,190
-	-	1,967	1,967	-	1,967
-	-	1,588	12,553	-	12,553
-	-	-	-	302,152	302,152
-	12,067	5,847	17,914	22,737	40,651
<u>21,241</u>	<u>12,067</u>	<u>28,883</u>	<u>78,101</u>	<u>324,889</u>	<u>402,990</u>
<u>\$ 24,261</u>	<u>\$ 12,067</u>	<u>\$ 31,644</u>	<u>\$ 85,720</u>	<u>\$ 830,183</u>	<u>\$ 915,903</u>

CITY OF ATCHISON, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2011

	Façade Improvements	Special Alcohol	Special Parks and Recreation	Motor Fuel
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	30,489	30,489	279,934
Special assessments	-	-	-	-
Interest on investments	-	-	48	241
Other	-	-	-	-
Total revenues	-	30,489	30,537	280,175
Expenditures:				
Current:				
General government	129,085	31,029	-	161,191
Public safety	-	-	-	-
Parks and recreation	-	-	10,200	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	129,085	31,029	10,200	161,191
Excess of revenues over (under) expenditures	(129,085)	(540)	20,337	118,984
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(25,000)	(118,000)
Total other financing sources (uses)	-	-	(25,000)	(118,000)
Net change in fund balances	(129,085)	(540)	(4,663)	984
Fund balances, beginning of year as previously stated	129,085	5,485	15,628	20,257
Change in accounting principle	-	-	-	-
Fund balances, beginning of year as restated	129,085	5,485	15,628	20,257
Fund balances, ending	\$ -	\$ 4,945	\$ 10,965	\$ 21,241

Special Revenue							
DARE	Grants	Insurance Reserve	Municipal Equipment Reserve	Law Enforcement	Total Special Revenue Funds	Debt Service	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 572,914	\$ 572,914
-	34,655	-	-	-	375,567	-	375,567
-	-	-	-	-	-	30,296	30,296
53	150	-	-	-	492	4,481	4,973
4,600	1,677	-	-	-	6,277	18,256	24,533
4,653	36,482	-	-	-	382,336	625,947	1,008,283
-	36,846	-	-	-	358,151	-	358,151
300	12,302	-	-	-	12,602	-	12,602
-	-	-	-	-	10,200	-	10,200
-	-	-	-	-	-	505,000	505,000
-	-	-	-	-	-	90,548	90,548
300	49,148	-	-	-	380,953	595,548	976,501
4,353	(12,666)	-	-	-	1,383	30,399	31,782
-	-	-	-	-	-	64,568	64,568
-	-	-	-	-	(143,000)	-	(143,000)
-	-	-	-	-	(143,000)	64,568	(78,432)
4,353	(12,666)	-	-	-	(141,617)	94,967	(46,650)
7,714	41,549	40,136	315,348	15,406	590,608	229,922	820,530
-	-	(40,136)	(315,348)	(15,406)	(370,890)	-	(370,890)
7,714	41,549	-	-	-	219,718	229,922	449,640
\$ 12,067	\$ 28,883	\$ -	\$ -	\$ -	\$ 78,101	\$ 324,889	\$ 402,990

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

SPECIAL ALCOHOL FUND

Year Ended December 31, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 32,316	\$ 30,489	\$ (1,827)
Expenditures:			
Contractual services	33,200	31,029	2,171
Net change in fund balance	(884)	(540)	344
Fund balance, beginning	7,548	5,485	(2,063)
Fund balance, ending	<u>\$ 6,664</u>	<u>\$ 4,945</u>	<u>\$ (1,719)</u>

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

SPECIAL PARKS AND RECREATION FUND

Year Ended December 31, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 32,316	\$ 30,489	\$ (1,827)
Interest on investments	25	48	23
Total revenues	32,341	30,537	(1,804)
Expenditures:			
Contractual services	14,500	10,200	4,300
Excess of revenues over expenditures	17,841	20,337	2,496
Other financing uses:			
Transfers out	(25,000)	(25,000)	-
Net change in fund balance	(7,159)	(4,663)	2,496
Fund balances, beginning	15,139	15,628	489
Fund balances, ending	\$ 7,980	\$ 10,965	\$ 2,985

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

MOTOR FUEL FUND

Year Ended December 31, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 290,980	\$ 279,934	\$ (11,046)
Interest on investments	700	241	(459)
Total revenues	<u>291,680</u>	<u>280,175</u>	<u>(11,505)</u>
Expenditures:			
Contractual services	<u>165,160</u>	<u>161,191</u>	<u>3,969</u>
Excess of revenues over (under) expenditures	126,520	118,984	(7,536)
Other financing uses:			
Transfers out	<u>(118,000)</u>	<u>(118,000)</u>	<u>-</u>
Net change in fund balance	8,520	984	(7,536)
Fund balance, beginning	<u>1,413</u>	<u>18,093</u>	<u>16,680</u>
Fund balance, ending	<u>\$ 9,933</u>	<u>19,077</u>	<u>\$ 9,144</u>
Explanation of differences between budgetary and GAAP fund balances:			
Encumbrances for equipment and supplies ordered but not received are not recorded for GAAP purposes until received		<u>2,164</u>	
GAAP fund balance, end of year		<u>\$ 21,241</u>	

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

DEBT SERVICE FUND

Year Ended December 31, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes:			
Ad valorem tax	\$ 518,250	\$ 513,557	\$ (4,693)
Recreational vehicle tax	527	422	(105)
16-20M vehicle tax	602	587	(15)
Motor vehicle tax	60,339	58,281	(2,058)
Vehicle excise tax	285	67	(218)
	580,003	572,914	(7,089)
Special assessments	32,460	30,296	(2,164)
Interest on investments	5,000	4,481	(519)
Miscellaneous	34,095	18,256	(15,839)
Total revenues	651,558	625,947	(25,611)
Expenditures:			
Principal	505,000	505,000	-
Interest	90,548	90,548	-
New issue	15,845	-	15,845
Operating reserve	15,000	-	15,000
Total expenditures	626,393	595,548	30,845
Excess of revenues over expenditures	25,165	30,399	5,234
Other financing sources:			
Transfers in	-	64,568	64,568
Net change in fund balance	25,165	94,967	69,802
Fund balance, beginning	148,496	229,922	81,426
Fund balance, ending	\$ 173,661	\$ 324,889	\$ 151,228

CITY OF ATCHISON, KANSAS

AGENCY FUNDS

Fire Insurance Proceeds – accounts for insurance proceeds held on behalf of homeowners until their property is repaired.

Amelia Earhart Festival – accounts for activities for the weeklong celebration of the life of Amelia Earhart. Events include live entertainment, food, arts & crafts, fireworks and award celebration.

Santa Fe Depot Enhancement – accounts for capital improvements to the historic Santa Fe depot building.

Veteran's Memorial Park – accounts for funds contributed to maintain the veterans pavilion within the riverfront park.

Jackson Park Revitalization – accounts for funds contributed to make improvements to Jackson Park.

International Forest of Friendship – accounts for funds raised to commemorate aviation notables at the International Forest of Friendship.

The White Clay Watershed District - accounts for the ad valorem taxes levied by the White Clay Watershed District for maintenance and upkeep of the District.

CITY OF ATCHISON, KANSAS

COMBINING BALANCE SHEET

ALL AGENCY FUNDS

December 31, 2011

	<u>Fire Insurance Proceeds</u>	<u>Amelia Earhart Festival</u>	<u>Santa Fe Depot Enhancement</u>	<u>Veteran's Memorial Park</u>	<u>Jackson Park Revitalization</u>	<u>International Forest of Friendship</u>	<u>White Clay Watershed District</u>	<u>Totals</u>
Assets:								
Cash and cash equivalents	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,442</u>	<u>\$ 1,272</u>	<u>\$ 10,722</u>	<u>\$ -</u>	<u>\$ 108,497</u>	<u>\$ 160,933</u>
Liabilities:								
Due to others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,442</u>	<u>\$ 1,272</u>	<u>\$ 10,722</u>	<u>\$ -</u>	<u>\$ 108,497</u>	<u>\$ 160,933</u>

CITY OF ATCHISON, KANSAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

Year Ended December 31, 2011

	Balance January 1, 2011	Additions	Deductions	Balance December 31, 2011
<u>Fire Insurance Proceeds</u>				
Assets:				
Cash and cash equivalents	\$ 13,350	\$ -	\$ 13,350	\$ -
Liabilities:				
Due to others	\$ 13,350	\$ -	\$ 13,350	\$ -
<u>Amelia Earhart Festival</u>				
Assets:				
Cash and cash equivalents	\$ 724	\$ 322,850	\$ 323,574	\$ -
Liabilities:				
Due to others	\$ 724	\$ 322,850	\$ 323,574	\$ -
<u>Santa Fe Depot Enhancement</u>				
Assets:				
Cash and cash equivalents	\$ 40,399	\$ 35,358	\$ 35,315	\$ 40,442
Liabilities:				
Due to others	\$ 40,399	\$ 35,358	\$ 35,315	\$ 40,442
<u>Veteran's Memorial Park</u>				
Assets:				
Cash and cash equivalents	\$ 10	\$ 1,262	\$ -	\$ 1,272
Liabilities:				
Due to others	\$ 10	\$ 1,262	\$ -	\$ 1,272

(Continued)

CITY OF ATCHISON, KANSAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS
(Continued)

Year Ended December 31, 2011

	Balance January 1, 2011	Additions	Deductions	Balance December 31, 2011
<u>Jackson Park Revitalization</u>				
Assets:				
Cash and cash equivalents	\$ 11,067	\$ 60	\$ 405	\$ 10,722
Liabilities:				
Due to others	\$ 11,067	\$ 60	\$ 405	\$ 10,722
<u>International Forest of Friendship</u>				
Assets:				
Cash and cash equivalents	\$ 205,944	\$ -	\$ 205,944	\$ -
Liabilities:				
Due to others	\$ 205,944	\$ -	\$ 205,944	\$ -
<u>White Clay Watershed District</u>				
Assets:				
Cash and cash equivalents	\$ 88,867	\$ 222,914	\$ 203,284	\$ 108,497
Liabilities:				
Due to others	\$ 88,867	\$ 222,914	\$ 203,284	\$ 108,497
<u>Total</u>				
Assets:				
Cash and cash equivalents	\$ 360,361	\$ 582,444	\$ 781,872	\$ 160,933
Liabilities:				
Due to others	\$ 360,361	\$ 582,444	\$ 781,872	\$ 160,933

CITY OF ATCHISON, KANSAS
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT

PUBLIC LIBRARY

December 31, 2011

Assets:

Cash	\$ 523,484
Investments	43,301
Taxes receivable	<u>401,163</u>
Total assets	<u><u>\$ 967,948</u></u>

Liabilities and fund balances:

Liabilities:

Accounts payable	\$ 5,943
Accrued payroll	7,521
Deferred revenue	<u>401,163</u>
Total liabilities	414,627

Fund balances:

Restricted:

Capital improvements	62,090
Reading programs	11,116
Books	1,720
Assigned	<u>478,395</u>

Total fund balance	<u>553,321</u>
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Total liabilities and fund balances	<u><u>\$ 967,948</u></u>
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CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT

PUBLIC LIBRARY

Year Ended December 31, 2011

Revenues:	
Taxes	\$ 466,869
Charges for services	15,115
Grants and contributions	51,779
Investment earnings	<u>2,896</u>
Total revenues	536,659
Expenditures:	
Current:	
Education	<u>493,086</u>
Excess of revenues over expenditures	43,573
Fund balances, beginning	<u>509,748</u>
Fund balances, ending	<u><u>\$ 553,321</u></u>

Statistical Section

2011

STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	86
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue source, water/wastewater charges for services, as well as its property tax.	91
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	100
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	103
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	105

CITY OF ATCHISON, KANSAS

NET ASSETS BY COMPONENT

LAST NINE FISCAL YEARS
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities									
Invested in capital assets, net of related debt	\$2,713,460	\$5,439,583	\$6,413,085	\$7,368,011	\$10,131,595	\$11,639,769	\$12,292,827	\$12,347,223	\$12,272,996
Restricted	-	-	973,654	1,023,212	1,040,333	788,231	729,855	1,330,900	1,161,035
Unrestricted	1,043,752	777,053	140,406	52,536	(88,487)	247,430	422,843	327,526	1,585,199
Total Governmental activities net assets	<u>\$3,757,212</u>	<u>\$6,216,636</u>	<u>\$7,527,145</u>	<u>\$8,443,759</u>	<u>\$11,083,441</u>	<u>\$12,675,430</u>	<u>\$13,445,525</u>	<u>\$14,005,649</u>	<u>\$15,019,230</u>
Business-type activities									
Invested in capital assets, net of related debt	\$4,186,779	\$5,311,969	\$5,486,214	\$6,174,342	\$6,438,835	\$7,722,440	\$9,115,253	\$8,908,653	\$10,017,324
Restricted	600,790	-	-	-	-	-	-	-	-
Unrestricted	994,133	1,193,615	2,052,158	2,344,098	2,844,053	1,892,254	2,264,559	4,262,522	5,044,982
Total business-type activities net assets	<u>\$5,781,702</u>	<u>\$6,505,584</u>	<u>\$7,538,372</u>	<u>\$8,518,440</u>	<u>\$9,282,888</u>	<u>\$9,614,694</u>	<u>\$11,379,812</u>	<u>\$13,171,175</u>	<u>\$15,062,306</u>
Primary Government									
Invested in capital assets, net of related debt	\$6,900,239	\$10,751,552	\$11,899,299	\$13,542,353	\$16,570,430	\$19,362,209	\$21,408,080	\$21,255,876	\$22,290,320
Restricted	600,790	-	973,654	1,023,212	1,040,333	788,231	729,855	1,330,900	6,630,181
Unrestricted	2,037,885	1,970,668	2,192,564	2,396,634	2,755,566	2,139,684	2,687,402	4,590,048	1,161,035
Total primary government net assets	<u>\$9,538,914</u>	<u>\$12,722,220</u>	<u>\$15,065,517</u>	<u>\$16,962,199</u>	<u>\$20,366,329</u>	<u>\$22,290,124</u>	<u>\$24,825,337</u>	<u>\$27,176,824</u>	<u>\$30,081,536</u>

Information presented for all years since the city implemented GASB 34

Watershed District #26 is presented as a component unit beginning in 2006. The Watershed is included in governmental activities in the prior years.

CITY OF ATCHISON, KANSAS

CHANGES IN NET ASSETS

LAST NINE FISCAL YEARS
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental Activities:									
General Government	\$1,604,557	\$1,702,564	\$1,880,963	\$1,841,155	\$1,940,473	\$2,339,490	\$2,477,457	\$2,357,540	\$2,478,684
Public Safety	2,586,331	2,674,013	2,706,364	2,893,060	2,901,310	2,909,320	2,841,896	2,880,226	2,923,106
Public Works	1,373,730	1,636,565	1,364,888	1,051,183	1,250,995	1,335,063	1,388,693	1,469,786	1,718,105
Parks and Recreation	493,554	386,230	378,189	407,859	450,200	489,521	426,369	492,756	297,417
Economic Development	207,438	67,500	67,500	72,500	75,000	21,637	75,000	75,000	-
Interest on long-term debt	201,452	166,994	142,142	127,180	174,988	187,803	137,338	111,877	124,977
Total governmental activities expenses	6,467,062	6,633,866	6,540,046	6,392,937	6,792,966	7,282,834	7,346,753	7,387,185	7,542,289
Business-type activities:									
Water/Wastewater**	4,266,464	4,068,745	3,870,015	3,567,725	3,879,281	4,318,423	2,225,755	2,407,449	2,294,146
Wastewater	-	-	-	-	-	-	1,466,583	1,490,589	1,541,013
Refuse	318,321	312,636	309,234	320,476	355,787	388,867	363,721	372,578	360,427
Total business-type activities	4,584,785	4,381,381	4,179,249	3,888,201	4,235,068	4,707,290	4,056,059	4,270,616	4,195,586
Total primary government expenses	\$11,051,847	\$11,015,247	\$10,719,295	\$10,281,138	\$11,028,034	\$11,990,124	\$11,402,812	\$11,657,801	\$11,737,875
Program Revenues									
Governmental Activities:									
Charges for services:									
General Government	\$309,348	\$287,763	\$270,178	\$303,272	\$331,688	\$580,596	\$344,165	\$502,699	\$499,457
Public Safety	47,425	33,687	53,270	66,545	45,335	39,316	38,030	83,335	79,955
Public Works	73,391	33,670	33,700	32,000	32,000	33,040	81,015	142,574	296,747
Parks and Recreation	29,352	24,905	-	-	-	-	19,090	-	-
Economic Development	139	155	109	232	49	21	22	-	-
Interest on long-term debt	-	-	-	-	-	-	-	-	-
Operating grants and contributions	781,233	600,616	895,801	559,061	457,008	939,358	476,438	406,070	407,400
Capital grants and contributions	1,320,148	2,348,082	387,167	540,945	2,742,733	1,289,186	753,526	268,115	515,552
Total governmental activities programs revenues	2,561,036	3,328,878	1,640,225	1,502,055	3,608,813	2,881,517	1,712,286	1,402,793	1,799,111
Business-type activities:									
Charges for services:									
Water/Wastewater**	4,063,217	4,551,541	4,261,046	3,924,973	4,022,503	4,043,258	2,733,628	3,621,075	3,703,515
Wastewater	-	-	-	-	-	-	1,302,014	1,576,158	1,472,145
Refuse	328,006	372,319	374,223	379,024	382,758	393,240	433,934	461,034	483,976
Operating grants and contributions	-	-	-	-	-	17,017	-	-	-
Capital grants and contributions	40,000	-	-	-	-	273,054	688,610	39,071	22,788
Total business-type activities program revenues	4,431,223	4,923,860	4,635,269	4,303,997	4,405,261	4,726,569	5,158,186	5,697,338	5,682,424
Total primary government program revenues	\$6,992,259	\$8,252,738	\$6,275,494	\$5,806,052	\$8,014,074	\$7,608,086	\$6,870,472	\$7,100,131	\$7,481,535

CITY OF ATCHISON, KANSAS

CHANGES IN NET ASSETS

LAST NINE FISCAL YEARS
(accrual basis of accounting)
(Continued)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net (Expense)/Revenue									
Governmental activities	(\$3,906,026)	(\$3,304,988)	(\$4,899,821)	(\$4,890,882)	(\$3,184,153)	(\$4,401,317)	(\$5,634,467)	(\$5,984,392)	(\$5,743,178)
Business-type activities	(153,562)	542,479	456,020	415,796	170,193	19,279	1,102,127	1,426,722	1,486,838
Total primary government net expense	<u>(\$4,059,588)</u>	<u>(\$2,762,509)</u>	<u>(\$4,443,801)</u>	<u>(\$4,475,086)</u>	<u>(\$3,013,960)</u>	<u>(\$4,382,038)</u>	<u>(\$4,532,340)</u>	<u>(\$4,557,670)</u>	<u>(\$4,256,340)</u>
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Property taxes	\$3,008,415	\$3,085,037	\$3,087,410	\$2,810,920	\$2,724,260	\$2,730,417	\$3,423,769	\$3,406,690	\$3,231,311
Sales taxes	1,275,172	1,889,117	1,537,858	1,571,561	1,583,031	1,589,234	1,524,783	1,520,429	1,587,341
Franchise taxes	572,126	630,666	843,255	820,181	794,595	850,200	787,184	842,672	1,304,264
Guest taxes	42,747	47,974	69,139	80,760	85,169	92,350	91,803	115,218	-
Payments in lieu of taxes	8,855	8,254	8,091	25,842	26,641	27,842	-	51,172	23,639
Unrestricted investment earnings	22,565	36,065	70,986	89,807	151,462	39,002	11,948	16,246	24,660
Gain on disposal of asset	-	4,429	40,174	36,708	14,620	-	-	3,169	-
Transfers	1,070,606	143,086	552,724	481,970	444,057	664,261	565,075	588,920	585,544
Total governmental activities	<u>6,000,486</u>	<u>5,844,628</u>	<u>6,209,637</u>	<u>5,917,749</u>	<u>5,823,835</u>	<u>5,993,306</u>	<u>6,404,562</u>	<u>6,544,516</u>	<u>6,756,759</u>
Business-type activities:									
Sales taxes	-	-	924,453	947,023	920,121	927,154	945,042	937,296	974,892
Unrestricted investment earnings	34,045	13,627	41,178	67,086	118,191	44,339	10,159	16,265	14,945
Gain on disposal of asset	-	-	-	32,133	-	5,295	-	-	-
Transfers	(1,070,606)	(143,086)	(552,724)	(481,970)	(444,057)	(664,261)	(565,075)	(588,920)	(585,544)
Total business-type activities	<u>(1,036,561)</u>	<u>(129,459)</u>	<u>412,907</u>	<u>564,272</u>	<u>594,255</u>	<u>312,527</u>	<u>390,126</u>	<u>364,641</u>	<u>404,293</u>
Total primary government	<u>\$4,963,925</u>	<u>\$5,715,169</u>	<u>\$6,622,544</u>	<u>\$6,482,021</u>	<u>\$6,418,090</u>	<u>\$6,305,833</u>	<u>\$6,794,688</u>	<u>\$6,909,157</u>	<u>\$7,161,052</u>
Change in Net Assets									
Governmental activities	\$2,094,460	\$2,539,640	\$1,309,816	\$1,026,867	\$2,639,682	\$1,591,989	\$770,095	\$560,124	\$1,013,581
Business-type activities	(1,190,123)	413,020	868,927	980,068	764,448	331,806	1,492,253	1,791,363	1,891,131
Total primary government	<u>\$904,337</u>	<u>\$2,952,660</u>	<u>\$2,178,743</u>	<u>\$2,006,935</u>	<u>\$3,404,130</u>	<u>\$1,923,795</u>	<u>\$2,262,348</u>	<u>\$2,351,487</u>	<u>\$2,904,712</u>

Information presented for all years since the city implemented GASB 34

Watershed District #26 is presented as a component unit beginning in 2006. The Watershed is included in governmental activities in the prior years.

**Water and Wastewater funds combined thru 2008, shown separately in 2009

CITY OF ATCHISON, KANSAS

FUND BALANCES, GOVERNMENTAL FUNDS

LAST NINE FISCAL YEARS
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund									
Assigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 548,253
Unassigned	-	-	-	-	-	-	-	-	1,571,238
Reserved	56,480	11,305	40,608	14,471	68,008	16,859	54,484	40,896	-
Unreserved	699,710	698,523	625,489	499,418	245,602	403,852	525,684	1,016,875	-
Total general fund	<u>\$756,190</u>	<u>\$709,828</u>	<u>\$666,097</u>	<u>\$513,889</u>	<u>\$313,610</u>	<u>\$420,711</u>	<u>\$580,168</u>	<u>\$1,057,771</u>	<u>\$2,119,491</u>
All Other Governmental Funds									
Restricted for:									
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 309,629
Public Works	-	-	-	-	-	-	-	-	863,132
Public Safety	-	-	-	-	-	-	-	-	1,967
Parks and Recreation	-	-	-	-	-	-	-	-	12,553
Assigned	-	-	-	-	-	-	-	-	239,267
Unassigned	-	-	-	-	-	-	-	-	-
Reserved for:									
Encumbrances	101,287	126,513	460,212	499,503	1,687,814	3,454	5,214	434,133	-
Revolving loan program	351,588	353,074	355,831	363,414	372,831	374,519	374,908	-	-
Unreserved reported in:									
Debt service fund	92,426	123,846	248,738	255,842	404,553	244,629	159,454	229,922	-
Special revenue funds	349,102	74,397	284,476	295,535	200,170	423,376	232,822	226,510	-
Capital project funds	112,174	56,365	(242,016)	(400,195)	(1,238,190)	208,048	415,120	451,280	-
Total all other governmental funds	<u>\$1,006,577</u>	<u>\$734,195</u>	<u>\$1,107,241</u>	<u>\$1,014,099</u>	<u>\$1,427,178</u>	<u>\$1,254,026</u>	<u>\$1,187,518</u>	<u>\$1,341,845</u>	<u>\$ 1,426,548</u>

Information presented for 2011 uses the new fund balance reporting required by GASB 54. Prior years are not restated.
Watershed District #26 is presented as a component unit beginning in 2006. The Watershed is included in governmental funds in the prior years. Beginning in 2011 the Watershed is reported as an agency fund.

CITY OF ATCHISON, KANSAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST NINE FISCAL YEARS
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues									
Taxes:									
Property	\$3,008,415	\$3,085,039	\$3,087,410	\$2,810,920	\$2,724,260	\$2,730,417	\$3,423,769	\$3,406,690	\$3,231,311
Sales	1,275,172	1,889,117	1,537,858	1,571,561	1,583,031	1,589,234	1,524,783	1,520,429	1,587,341
Franchise	572,126	630,666	843,255	820,181	794,595	850,200	787,184	842,672	1,304,264
Guest	42,747	47,974	69,139	80,760	85,169	92,350	91,803	115,218	-
Payments in lieu of taxes	8,855	8,254	8,091	25,842	26,641	27,842	-	51,172	23,639
Intergovernmental	1,394,034	2,454,157	939,724	897,014	1,856,197	1,919,213	1,078,482	661,180	884,926
Licenses and permits	64,121	37,118	32,916	29,151	44,798	204,802	84,724	89,050	103,960
Charges for services	99,118	93,890	65,987	83,030	56,326	54,704	104,847	151,480	191,121
Fines and fees	123,955	118,899	131,661	118,899	114,738	157,196	164,096	243,079	329,666
Special Assessments	45,688	44,342	43,891	39,189	31,155	30,343	29,410	32,707	30,296
Interest on investments	22,565	36,065	70,986	89,807	151,462	39,002	11,948	16,246	24,660
Other	835,589	595,744	430,359	343,239	293,856	368,143	140,914	163,505	121,572
Total Revenues	7,492,385	9,041,265	7,261,277	6,909,593	7,762,228	8,063,446	7,441,960	7,293,428	7,832,756
Expenditures									
General government	1,345,165	1,441,489	1,615,360	1,451,294	1,599,794	1,830,484	1,905,569	1,855,886	1,923,128
Public works	1,043,945	1,106,618	1,101,456	911,653	1,003,387	1,101,121	1,090,137	1,191,008	1,450,485
Public safety	2,419,490	2,551,550	2,556,257	2,775,108	2,706,958	2,742,071	2,707,129	2,736,583	2,901,700
Parks and recreation	416,702	357,581	338,995	384,879	394,867	464,833	399,842	465,038	256,922
Economic development	67,500	67,500	67,500	72,500	75,000	21,637	75,000	75,000	-
Debt Service									
Principal	685,180	701,023	638,128	676,769	580,112	625,260	679,987	508,623	544,175
Interest	219,700	172,566	153,132	128,962	149,631	207,381	146,095	117,500	97,380
Debt Issuance Costs	-	-	-	-	-	-	-	-	31,756
Capital outlay	2,179,761	3,761,263	1,124,832	2,254,542	3,436,283	2,725,395	937,966	480,777	2,121,270
Total Expenditures	8,377,443	10,159,590	7,595,660	8,655,707	9,946,032	9,718,182	7,941,725	7,430,415	9,326,816
Excess of revenues over/(under) expenditures	(885,058)	(1,118,325)	(334,383)	(1,746,114)	(2,183,804)	(1,654,736)	(499,765)	(136,987)	(1,494,060)
Other Financing Sources (Uses)									
Payment to refund temporary notes	-	-	-	-	(536,000)	-	-	-	-
Proceeds of general obligation bonds	-	500,000	-	-	2,300,000	-	-	110,319	1,830,000
Sale of capital assets	-	-	132,665	50,116	31,202	44,961	27,639	50,753	177,015
Insurance Proceeds	-	-	-	-	-	218,574	-	-	-
Proceeds from capital leases	-	-	-	365,347	-	-	-	-	-
Proceeds from temporary notes	-	-	-	536,000	-	-	-	-	-
Transfers in	1,760,980	1,111,851	1,313,637	1,274,748	1,361,416	2,030,108	1,121,567	1,112,651	997,418
Transfers out	(564,315)	(812,270)	(703,410)	(637,848)	(760,014)	(704,958)	(556,492)	(504,806)	(363,950)
Total other financing sources (uses)	1,196,665	799,581	742,892	1,588,363	2,396,604	1,588,685	592,714	768,917	2,640,483
Net change in fund balances	\$311,607	(\$318,744)	\$408,509	(\$157,751)	\$212,800	(\$66,051)	\$92,949	\$631,930	\$1,146,423
Debt service as a percentage of noncapital expenditures	14.6%	13.7%	12.2%	12.6%	11.2%	11.9%	11.8%	9.0%	8.9%

Information presented for all years since the city implemented GASB 34

Watershed District #26 is presented as a component unit beginning in 2006. The Watershed is included in governmental funds in the prior years.

CITY OF ATCHISON, KANSAS
WATER PRODUCED AND CONSUMED
LAST TEN FISCAL YEARS
(thousands of gallons)

Fiscal Year	Gallons of Water Produced	Gallons of Water Consumed	Gallons of Water Unbilled		Average Percent Unbilled	Base Rate
			Metered Provided For Free	Unaccounted For Water		
2002	1,188,914	1,076,355	28,016	84,543	9.47%	17.00
2003	1,568,669	1,097,661	96,694	374,314	30.03%	17.00
2004	1,482,917	1,129,066	28,849	325,003	23.86%	17.00
2005	1,440,239	1,070,340	43,558	326,340	25.68%	17.00
2006	1,429,907	1,023,465	58,201	348,241	28.42%	17.00
2007	1,571,009	988,500	124,713	457,796	37.08%	17.00
2008	1,545,869	1,163,432	118,769	263,667	24.74%	17.00
2009	1,491,859	959,947	69,043	462,869	35.65%	18.70
2010	1,599,504	1,094,121	69,043	445,141	32.15%	23.38
2011	1,525,572	1,149,030	90,295	286,246	24.68%	24.08

Source: City of Atchison Water Use reports

Base rate shown is for a 5/8" meter. See the Water Rate Schedule for other meter sizes and usage charges.

CITY OF ATCHISON, KANSAS

ANNUAL TAP SALES

LAST TEN FISCAL YEARS

Fiscal Year	Water Meter Taps Sold
2002	NA
2003	NA
2004	NA
2005	21
2006	31
2007	18
2008	12
2009	16
2010	18
2011	5

CITY OF ATCHISON, KANSAS

NUMBER OF WATER CUSTOMERS BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Water Customers				Total
	Residential	Commercial	Industrial	Rural Water Districts	
2002	3,732	403	45	7	4,187
2003	3,732	403	45	7	4,187
2004	3,759	404	45	7	4,215
2005	3,789	404	41	7	4,241
2006	3,718	428	41	7	4,194
2007	3,750	401	41	7	4,199
2008	3,776	401	41	7	4,225
2009	3,716	439	37	7	4,199
2010	3,716	470	4	7	4,197
2011	3,700	433	42	6	4,181

Source: City of Atchison Water Use reports

CITY OF ATCHISON, KANSAS

WATER RATES

LAST TEN FISCAL YEARS

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Minimum Monthly Rates- All account types										
5/8 inch meter	\$ 17.00	\$ 17.00	\$ 17.00	\$ 17.00	\$ 17.00	\$ 17.00	\$ 17.00	\$ 18.70	\$ 23.38	\$ 24.08
3/4 inch meter	27.50	27.50	27.50	27.50	27.50	27.50	27.50	30.25	37.81	38.94
1 inch meter	45.50	45.50	45.50	45.50	45.50	45.50	45.50	50.05	62.56	64.43
1.5 inch meter	85.00	85.00	85.00	85.00	85.00	85.00	85.00	93.50	116.88	120.39
2 inch meter	115.00	115.00	115.00	115.00	115.00	115.00	115.00	126.50	158.13	162.87
3 inch meter	225.00	225.00	225.00	225.00	225.00	225.00	225.00	247.50	309.38	318.66
4 inch meter	375.00	375.00	375.00	375.00	375.00	375.00	375.00	412.50	515.63	531.10
6 inch meter	495.00	495.00	495.00	495.00	495.00	495.00	495.00	544.50	680.63	701.05
8 inch meter	575.00	575.00	575.00	575.00	575.00	575.00	575.00	632.50	790.63	814.35
Additional Monthly Charges- Residential										
0-1,997 gallons consumed (per 1,000 gallons)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,998-4,989	2.957	2.957	2.957	2.957	2.957	2.957	2.957	3.254	4.067	4.189
4,990-9,971	2.868	2.868	2.868	2.868	2.868	2.868	2.868	3.154	3.943	4.061
9,972-49,860	2.727	2.727	2.727	2.727	2.727	2.727	2.727	3.000	3.750	3.863
49,861-99,731	2.546	2.546	2.546	2.546	2.546	2.546	2.546	2.801	3.502	3.607
99,732-199,469	2.346	2.346	2.346	2.346	2.346	2.346	2.346	2.581	3.226	3.323
Additional Monthly Charges Rates- Industrial										
0-49,869 gallons consumed (per 1,000 gallons)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2.768	\$ 3.461	\$ 3.564
49,870-99,731	2.436	2.436	2.436	2.436	2.436	2.436	2.436	2.680	3.350	3.451
99,732-149,600	2.155	2.155	2.155	2.155	2.155	2.155	2.155	2.371	2.964	3.053
149,601-199,469	1.975	1.975	1.975	1.975	1.975	1.975	1.975	2.173	2.716	2.798
199,470-997,331	1.624	1.624	1.624	1.624	1.624	1.624	1.624	1.787	2.233	2.300
997,332-4,986,669	1.323	1.323	1.323	1.323	1.323	1.323	1.323	1.456	1.820	1.875
4,986,670-9,973,331	0.601	0.601	0.601	0.601	0.601	0.601	0.601	0.662	0.827	0.852
9,973,331 and above	0.511	0.511	0.511	0.511	0.511	0.511	0.511	0.563	0.703	0.724

Source: City of Atchison Water Utility

Rate structure changed in the year 2000. Rates presented for 2000 and later are for customers within the city limits. Customers outside the city limits are charged higher rates. A 25% rate increase was effective with the January 2010 billing period. A 3% rate increase was effective with the January 2011 billing period.

CITY OF ATCHISON, KANSAS

PRINCIPAL WATER PURCHASERS

CURRENT YEAR AND NINE YEARS AGO

Water Purchaser	2011			2002		
	Gallons Consumed	Rank	Percentage of Total Gallons Consumed	Gallons Consumed	Rank	Percentage of Total Gallons Consumed
MGP Ingredients	622,641,521	1	50.24%	545,401,103	1	49.39%
Rural Water District #5	133,540,300	2	10.78%	125,946,903	2	11.40%
Rural Water District #6	31,826,428	3	2.57%	37,287,052	3	3.38%
Bradken/Atchison Casting	31,778,967	4	2.56%	15,221,620	6	1.38%
Benedictine College	20,599,247	5	1.66%	20,045,622	4	1.82%
Rural Water District #1	10,980,640	6	0.89%			
Mount St. Scholastica	8,609,106	7	0.69%	13,036,892	7	1.18%
Bunge (Con Agra in 2000)	7,949,819	8	0.64%	12,328,812	8	1.12%
Atchison Public Schools	4,374,012	9	0.35%			
Atchison Hospital	4,173,541	10	0.34%	6,018,295	10	0.54%
Atchison Juvenile Facility	-		-	10,068,828	9	0.91%
Golden Star, Inc.	-		0.00%	18,411,047	5	1.67%
Total	876,473,581		70.72%	803,766,174		72.79%

Source: City of Atchison Water Department.

CITY OF ATCHISON, KANSAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Real Estate	Personal Property	Utilities	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Assessed to Total Estimated Actual Value
2002	\$ 35,653,269	\$ 9,814,282	\$ 4,695,761	\$ 2,618,034	\$ 47,545,278	\$ 58.136	\$ 285,204,940	16.67%
2003	37,347,777	9,604,081	4,586,940	3,181,797	48,357,001	57.975	296,253,293	16.32%
2004	40,364,207	9,001,867	4,926,189	3,997,304	50,294,959	57.570	313,671,884	16.03%
2005	44,780,649	8,726,640	5,054,581	6,316,575	52,245,295	56.394	338,081,138	15.45%
2006	47,343,216	8,927,586	5,142,723	6,489,954	54,923,571	51.030	359,194,029	15.29%
2007	52,509,268	9,346,970	4,759,355	6,704,034	59,911,559	45.494	417,388,916	14.35%
2008	54,566,560	8,436,366	4,564,451	6,940,075	60,627,302	46.478	437,709,006	13.85%
2009	56,926,494	7,018,204	4,371,716	7,202,148	61,114,266	57.365	446,183,278	13.70%
2010	58,326,077	6,209,979	4,349,715	7,210,601	61,675,170	57.181	445,328,629	13.85%
2011	60,339,718	5,518,345	4,692,455	7,449,991	63,100,527	52.880	446,170,360	14.14%

Source: Atchison County Clerk

Note: Does not include penalty amounts

Detailed information on Utilities and Tax Exempt property is not available for the years 2001 and prior.

CITY OF ATCHISON, KANSAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES (PER \$ 1,000 OF ASSESSED VALUE)

LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rates				White Clay #26 Watershed	USD 409	Atchison County	State of Kansas	Total
	Basic Rate	Debt Service	Library	Total Direct Rate					
2002	\$ 43.137	\$ 9.999	\$ 5.000	\$ 58.136	\$ 2.000	\$ 52.116	\$ 39.789	\$ 1.500	\$ 153.541
2003	42.982	8.996	5.997	57.975	1.999	51.791	37.824	1.500	151.089
2004	39.684	12.120	5.766	57.570	1.933	56.705	44.027	1.500	161.735
2005	38.828	11.439	6.127	56.394	1.992	56.890	42.600	1.500	159.376
2006	36.935	7.982	6.113	51.030	2.301	59.749	40.900	1.500	155.480
2007	32.460	7.318	5.716	45.494	2.253	62.839	40.888	1.500	152.974
2008	32.808	7.571	6.099	46.478	2.535	59.137	42.967	1.500	152.617
2009	42.071	8.524	6.770	57.365	2.625	59.645	45.870	1.500	167.005
2010	42.100	8.306	6.775	57.181	2.801	62.804	46.658	1.500	170.944
2011	37.892	8.255	6.733	52.880	2.797	61.212	46.621	1.500	165.010

Source: Atchison County Clerk

CITY OF ATCHISON, KANSAS

PRINCIPAL PROPERTY TAX PAYERS

CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
MGP Ingredients	\$4,038,275	1	6.40%	\$4,631,796	1	9.74%
Bradken	3,199,012	2	5.07%	3,034,411	2	6.38%
Wal-Mart	2,228,678	3	3.53%	530,100	6	1.11%
Blish-Mize Co.	1,284,448	4	2.04%	1,028,079	3	2.16%
Golden Star	1,101,382	5	1.75%	518,485	7	1.09%
Northwest Pipe	1,045,583	6	1.66%	1,024,908	4	2.16%
Agree Atchison	988,325	7	1.57%			
Garrett Brothers	483,313	8	0.77%	531,002	5	1.12%
Atchison Hospital	438,944	9	0.70%	408,434	10	0.86%
Caudle Development	397,145	10	0.63%			
AmericInn Hotels	-		0.00%	451,958	9	0.95%
CEF Lease Residual	-		0.00%	462,634	8	0.97%
Total	<u>\$15,205,105</u>		<u>24%</u>	<u>\$12,621,807</u>		<u>27%</u>

Source: Atchison County Clerk

CITY OF ATCHISON, KANSAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy	Current Tax Collections	Percentage of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as a Percent of Current Tax Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as a Percent of Current Levy
2002	\$ 2,921,622	\$ 2,598,032	88.92%	\$ 45,047	\$ 2,643,079	90.47%	\$ 323,590	11.08%
2003	2,990,817	2,657,280	88.85%	161,026	2,818,306	94.23%	333,537	11.15%
2004	3,128,595	2,880,002	92.05%	86,604	2,966,606	99.56%	100,492	3.21%
2005	3,305,838	2,861,118	86.55%	36,247	2,897,365	87.64%	444,720	13.45%
2006	3,137,519	2,723,053	86.79%	71,191	2,794,244	89.06%	91,518	2.92%
2007	3,032,818	2,647,672	87.30%	104,058	2,751,730	90.73%	8,765	0.29%
2008	2,990,086	2,930,659	98.01%	30,022	2,960,681	99.02%	29,405	0.98%
2009	3,684,215	3,610,823	98.01%	3,691	3,614,514	98.11%	69,702	1.89%
2010	3,715,137	3,620,578	97.45%	NA	3,620,578	97.45%	94,559	2.55%
2011	3,528,503	3,237,885	91.76%	NA	3,237,885	91.76%	290,618	8.24%

Source: Atchison County Treasurer
NA= not available

CITY OF ATCHISON, KANSAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Other Loans	Capital Leases	Revenue Bonds	General Obligation Bonds	Capital Leases	Revolving Loans			
2002	\$ 4,208,000	\$ 212,935	\$ 104,609	\$ 3,345,000	\$ 9,760,000	\$ -	\$ -	\$ 17,630,544	8.13%	\$ 1,739
2003	3,620,000	166,815	53,548	3,080,000	9,410,000	-	-	16,330,363	7.48%	1,610
2004	3,505,000	134,340	-	-	11,385,000	-	-	15,024,340	6.48%	1,486
2005	2,900,000	101,212	166,000	-	10,600,000	166,000	-	13,933,212	5.62%	1,367
2006	2,305,000	67,418	317,372	-	9,775,000	189,837	-	12,654,627	4.75%	1,237
2007	4,105,000	32,945	271,733	-	8,920,000	125,957	-	13,455,635	4.82%	1,325
2008	3,545,000	-	223,969	-	8,040,000	59,236	-	11,868,205	3.83%	1,178
2009	2,915,000	-	173,982	-	7,125,000	18,663	283,649	10,516,294	3.52%	1,011
2010	2,545,319	-	145,359	-	6,629,681	-	4,466,912	13,787,271	4.57%	1,322
2011	3,852,676	-	123,827	-	6,042,324	206,000	5,974,057	16,198,884	NA	1,468

CITY OF ATCHISON, KANSAS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING AND LEGAL DEBT MARGIN

LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General bonded debt outstanding:										
General obligation bonds	\$4,208,000	\$3,620,000	\$3,505,000	\$2,900,000	\$2,305,000	\$4,105,000	\$3,545,000	\$2,915,000	\$2,545,319	\$3,852,676
Total	\$4,208,000	\$3,620,000	\$3,505,000	\$2,900,000	\$2,305,000	\$4,105,000	\$3,545,000	\$2,915,000	\$2,545,319	\$3,852,676
Estimated actual property value	285,204,940	296,253,293	313,671,884	338,081,138	359,194,029	417,388,916	437,709,006	446,183,278	445,328,629	446,170,360
Percentage of estimated actual property value	1.48%	1.22%	1.12%	0.86%	0.64%	0.98%	0.81%	0.65%	0.57%	0.86%
Population	10140	10140	10,111	10,190	10,232	10,154	10,078	10,402	10,432	11,021
Per capita	\$414.99	\$357.00	\$346.65	\$284.59	\$225.27	\$404.27	\$351.76	\$280.23	\$243.99	\$349.58
Less: Amounts set aside to repay general debt	(20,073)	(92,425)	(123,846)	(248,738)	(255,842)	(404,553)	(244,629)	(159,454)	(229,922)	(324,889)
Total net debt applicable to debt limit	4,187,927	3,527,575	3,381,154	2,651,262	2,049,158	3,700,447	3,300,371	2,755,546	2,315,397	3,527,787
Legal debt limit	14,263,583	14,507,100	15,088,488	15,673,589	16,477,071	17,973,468	18,188,191	18,334,280	18,502,551	18,930,158
Legal debt margin	\$10,075,656	\$10,979,525	\$11,707,334	\$13,022,327	\$14,427,913	\$14,273,021	\$14,887,820	\$15,578,734	\$16,187,154	\$15,402,371
Legal debt margin as a percentage of debt limit	70.64%	75.68%	77.59%	83.08%	87.56%	79.41%	81.85%	84.97%	87.49%	81.36%

Debt limit is set at 30% of assessed valuation.

CITY OF ATCHISON, KANSAS

GOVERNMENTAL ACTIVITIES DIRECT AND OVERLAPPING DEBT

DECEMBER 31, 2011

Taxing Body	Debt		City's Share		Per Capita
	Amount	As of	Percent	Amount	
Estimated overlapping debt:					
Atchison County	\$ 5,002,213	12/31/11	56%	\$ 2,801,239	\$ 269
USD No. 409	17,355,000	12/31/11	84%	14,578,200	1,397
	<u>22,357,213</u>			<u>17,379,439</u>	<u>1,666</u>
Direct debt:					
City of Atchison	<u>3,976,504</u>	12/31/11	100%	<u>3,976,503</u>	<u>381</u>
Direct and estimated overlapping debt	<u>\$ 26,333,717</u>			<u>\$ 21,355,942</u>	<u>\$ 2,047</u>

Source: Atchison County Clerk

Information represents the share of the respective debt which are obligations of the citizens of Atchison.

CITY OF ATCHISON, KANSAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS

<u>Fiscal Year</u>	<u>City Population</u>	<u>County Total Personal Income (000's omitted)</u>		<u>County Per Capita Income</u>		<u>School Enrollment</u>	<u>Unemployment Rate (Atchison County)</u>
2002	10,140	\$ 358,288	r	\$ 21,394	r	2,359	5.50%
2003	10,140	362,990	r	21,740	r	2,249	5.60%
2004	10,111	391,901		23,433	r	2,238	5.90%
2005	10,190	426,552	r	24,484	r	2,238	5.50%
2006	10,232	455,125	r	27,503	r	2,215	4.70%
2007	10,154	476,194	r	28,953	r	2,225	4.40%
2008	10,078	501,972	r	29,844	r	2,193	r 4.40%
2009	10,402	487,176	r	28,717	r	2,154	8.00%
2010	10,432	488,056		28,893		2,234	8.90%
2011	11,021	N/A		N/A		2,207	8.30%

Population figures presented are for the city only. The Personal Income and Per Capita Income figures are for the entire county.

r: revised

NA: Not Available

Sources:

Population: Atchison County Clerk

Total Personal Income: Bureau of Economic Analysis

Per Capita Income: Bureau of Economic Analysis

School Enrollment: Kansas State Department of Education

Unemployment Rate: Bureau of Labor Statistics

CITY OF ATCHISON, KANSAS

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Employer	2011			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Bradken (formerly Atchison Casting)	742	1	11.01%	NOT AVAILABLE		
USD 409	375	2	5.56%			
Benedictine College	311	3	4.61%			
MGP, Inc.	249	4	3.69%			
Atchison Hospital	245	5	3.64%			
Walmart	225	6	3.34%			
Atchison County	178	7	2.64%			
Northwest Pipe	142	8	2.11%			
Fargo Assembly	142	9	2.11%			
City of Atchison	108	10	1.60%			
Total	2,717		40.31%	0		

Source: Community Development Department

Data on principal employers nine years ago is not available

CITY OF ATCHISON, KANSAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
City Manager	3	3	3	3	3	3	3	3	3	3
Finance	5	5	5	4.5	5.5	4.5	4.5	3.5	3.5	4.5
Municipal Court	1	1	1	1	1	1	1	1	1	1
Grants Administration	1	1	1	0	0	0	0	0	0	0
Community Development(b)	2	2	2	2	2	3	3.5	3.5	3.5	4.5
Engineering	5	5	4	4	4	3	4	4	4	2
Public Safety										
Police	24	24	23	23	23	21	23	23	22	22
Animal Control	1	1	1	1	1	1	1	1	1	1
Fire	20	19	19	19	18	19	19.75	18.75	19.75	19.75
Public Works Admin	0	0	0	0	0	0	0	0	0	22
Public Works										
Street	8	9	10	10	9	11	11	11	9	0
Fleet Maintenance	3	3	3	3	2	2	2	2	2	0
Construction Engineering	0	0	0	0	1	1	1	0	0	0
Parks and Recreation										
Parks	6	5	6	6	6	7	7	7	6	0
Water/Wastewater (a)	0	0	0	1.5	20.5	21.5	21.5	19.5	19.5	18.5
Refuse	6	6	6	6	6	6	6	6	6	6
Total	85	84	84	84	102	104	108.25	103.25	100.25	104.25

(a) Water utility employees added to city payroll beginning 1/1/2006. Prior to that date utility was managed by a private 3rd party.

(b) Departments were restructured in 2011

CITY OF ATCHISON, KANSAS

OPERATING INDICATORS BY PROGRAM/FUNCTION

LAST SEVEN FISCAL YEARS

Program/Function	Fiscal Year						
	2005	2006	2007	2008	2009	2010	2011
Police							
Dispatched calls	14,317	13,450	14,230	14,962	14,501	13,903	13,786
Criminal cases	1,493	1,428	1,527	1,847	1,806	1,680	1,773
Criminal cases cleared	911	868	951	1,192	1,242	1,182	1,161
Arrests	995	787	870	1,121	1,166	1,047	1,117
Serious crimes	367	445	421	535	519	412	401
Fire							
Emergency Responses	411	421	454	361	290	340	343
First Responder/Medical	488	562	553	586	556	570	603
Life Safety Inspections	675	675	666	657	657	657	657
Property Loss (thousands of \$)	\$ 190	\$ 2,791	\$ 338	\$ 355	\$ 355	N/A	N/A
Refuse collected (tons/year)							
Trash	3,230	3,273	3,562	3,742	3,608	3,293	3,207
Construction/Demolition	226	333	270	-	-	-	-
Brush	151	143	22	-	106	232	136
Metal	41	28	62	42	-	-	-
Water							
New connections	21	31	18	12	16	18	8
Water main breaks	23	31	30	30	20	33	23
Replaced bad service lines	46	45	33	54	44	31	29
Average daily consumption (thousands of gallons)	3,944	3,658	4,039	4,003	3,753	4,097	3879
Peak daily consumption (thousands of gallons)	5,565	5,026	5,059	4,954	5,287	5,482	6037
Wastewater							
Average daily sewage treatment (thousands of gallons)	1,562	1,301	1,458	1,698	1,757	1,740	946

Operating indicator information not available for 2001-2004.

Refuse statistics source: Atchison County Transfer Station

2008 Construction/Demolition and Brush are included in Trash

2009 Construction/Demolition and Metal are included in Trash

CITY OF ATCHISON, KANSAS

CAPITAL ASSET STATISTICS BY PROGRAM/FUNCTION

LAST SEVEN FISCAL YEARS

Program/Function	2005	2006	2007	2008	2009	2010	2011
Police							
Stations	1	1	1	1	1	1	1
Patrol units	10	10	10	10	10	10	10
Fire stations	1	1	1	1	1	1	1
Refuse Collection							
Collection trucks	2	2	2	2	2	2	2
Other Public Works							
Streets (miles)	77	77	77	77	77	77	77
Highways (miles)	8	8	8	8	8	8	8
Traffic signals	12	12	12	10	11	11	11
Parks and Recreation							
Acreage	332	332	332	332	332	332	332
Playgrounds	7	7	7	7	7	7	7
Baseball/Softball diamonds	6	6	6	6	6	6	5
Water							
Water mains (miles)	100	100	100	100	100	95	95
Fire hydrants	519	532	537	547	556	556	560
Storage capacity (000's gallons)	1,750	1,750	1,750	1,750	1,750	1,750	1,750
Wastewater							
Sanitary sewers (miles)	20	20	20	20	20	20	20
Storm sewer (combined, miles)	80	80	80	80	80	80	80
Treatment capacity (000's gallons)	2,800	2,800	2,800	2,800	2,800	2,800	2,800
Treatment capacity (000's gallons)	8,400	8,400	8,400	8,400	8,400	8,400	8,400

Capital asset information not available for 1998-2004.

THE WATER SYSTEM

The following data, along with the financial information found elsewhere in this Comprehensive Annual Financial Report (the CAFR), is being provided in order to comply with certain provisions of Rule 15c2-12 of the Securities and Exchange Commission (the SEC Rule). In conjunction with the issuance of its outstanding water system bonds, the City has agreed to disseminate the CAFR to each Nationally Recognized Municipal Securities Information Repository and State Information Repository, if any, both as defined in the SEC Rule, within 180 days after the end of its Fiscal Year.

Description - The Water System

Number of Treatment Plants:	1
Year Plant Constructed	1949 - updated 2002
Daily Treatment Capacity:	8.0 million gallons
Treated Water Storage Capacity:	1.0 million gallons in clearwell 1.25 million gallons in 5 elevated tanks
Distribution Lines:	118 miles
Source of Water:	Missouri River
% of Water Sold Outside City:	16%

Ten Largest Users

Company	Product or Service	Gallons Consumed
MGP Ingredients, Inc.	Manufacturing	622,641,521
RWD #5	Water district	133,540,300
RWD #6	Water district	31,826,428
Bradken (Atchison Casting)	Manufacturing	31,778,967
Benedictine College	College	20,599,247
RWD #1	Water District	10,980,640
Mount St. Scholastica	Religious Institution	8,609,106
Bunge Milling, Inc.	Grain processing	7,949,819
Atchison Public Schools	School District	4,374,012
Atchison Hospital	Hospital	4,173,541

Consumption and Usage - 2011

Total Gallons Consumed:	1,239,326 gallons
Peak Daily Production:	6,037,000 gallons

Number of Customers as of December 31, 2011

Number of Residential Meters:	3,700
Number of Commercial Meters:	481

Water Rate Structure

All Users
Minimum Monthly Charge (includes first 266 cubic feet of usage):

Meter Size	Outside City Limits Current Rates (effective 1/1/11)	Inside City Limits Current Rates (effective 1/1/11)
5/8" or less	\$ 36.12	\$ 24.08
3/4"	58.41	38.94
1"	96.65	64.43
1.5"	180.59	120.39
2"	244.30	162.87
3"	477.99	318.66
4"	796.65	531.10
6"	1,051.58	701.05
8"	1,221.53	814.35

Future Borrowing Plans

The City has borrowed \$3.8 from the State of Kansas SRF program in order to fund replacement of pre 1930 water mains (\$2.2 million) and replacement of the high service pump station (\$1.6 million). These projects were selected by KDHE for completion under the American Recovery and Reinvestment Act (ARRA). If all criteria are met for ARRA the loan principal will be reduced by 32% (loan forgiveness). The City will borrow up to an additional \$5.3 million from the State of Kansas SRF program to fund additional water storage and ozone treatment necessary to meet EPA requirements.

Future Rate Increases

Rates were increased by 3% for all rate classes effective with the January 2012 billing period. Rate increases ranging from 4% to 6% will be required in future years to fund ongoing operations and debt service for the projects mentioned above.

THE SEWER SYSTEM

The following data, along with the financial information found elsewhere in this Comprehensive Annual Financial Report (the CAFR), is being provided in order to comply with certain provisions of Rule 15c2-12 of the Securities and Exchange Commission (the SEC Rule). In conjunction with the issuance of its outstanding sewer system bonds, the City has agreed to disseminate the CAFR to each Nationally Recognized Municipal Securities Information Repository and State Information Repository, if any, both as defined in the SEC Rule, within 180 days after the end of its Fiscal Year.

Description - The Sewer System

Number of Treatment Plants:	2
Year Plant Constructed:	1959
Year of Last Significant Upgrades:	1979
Daily Treatment Capacity:	2.8 dry million gallons 8.4 wet million gallons
Type of Treatment:	Conventional Activated Sludge
Collection Lines:	87 miles

Ten Largest Users

Company	Product or Service	Estimated Gallons Treated
Bradken (Atchison Casting Corp.)	Manufacturing	33,660,965
Benedictine College	College	18,278,652
Mt. St. Scholastica	School	5,039,523
Atchison Hospital	Hospital	4,337,196
MGP Ingredients, Inc.	Manufacturing	3,631,510
Bunge Milling	Grain Processing	3,392,176
Atchison Housing Authority	Housing	3,152,491
Atchison Public Schools	School District	3,041,361
Golden Star, Inc.	Manufacturing	3,250,135
St. Benedicts Abbey	Religious Institution	2,618,000

Treatment and Usage – 2011

Total Gallons Treated:	345,279,000 gallons
Peak Daily Treatment:	3,785,000 gallons

Number of Customers as of December 31, 2011

Number of Residential Meters:	3,700
Number of Commercial & Industrial Meters:	474
Number of Rural Water District Meters:	7

Sewer Rate Structure

Residential users are billed based on average monthly water use during the months of January, February and March. Commercial users are billed on their water usage; they are not on an average sewer.

	<u>Current Rate</u> <u>Effective 1/1/11</u>
Minimum monthly charge (includes first 667 cubic feet of water consumption)	\$ 19.75
All usage over 667 cubic feet (charge per 1,000 cubic feet)	3.94

Future Borrowing Plans

The City has secured a \$3.6 million loan from the Kansas Department of Health and Environment's State Revolving Fund in order to perform federally mandated repairs and upgrades to the sewer system. The final interest rate is 2.84%. The loan will be repaid over 20 years.

Future Rate Increases

A rate increase of 5% became effective with the January 2012 billing period.



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and City Commission
City of Atchison, Kansas:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Atchison, Kansas (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Commission, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Berberich Trahan & Co., P.A.

June 6, 2012